

AGENDA

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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

REGULAR MEETING OF OCTOBER 21, 2015

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

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

CONSENT ITEMS:

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

1. Approval of Minutes for Regular Meeting of September 16, 2015
2. Approval of Executive Officer's Expense Report
3. Ratify Payments as Reconciled for Month of September 2015 and Note Cash Receipts
4. Consideration of: (1) CEQA Statutory Exemption for LAFCO 3196; and (2) LAFCO 3196 – Reorganization to include City of Big Bear Lake Annexations and Detachments from County Service Area 53 and its Zones B and C, County Service Area 54, and County Service Area 70 and its Zones R-3 and R-5 (Department of Water and Power non-contiguous municipally owned parcels)

PUBLIC HEARING ITEMS:

5. Consent Items Deferred for Discussion
6. Consideration of: (1) CEQA Statutory Exemption for LAFCO 3173; and (2) LAFCO 3173 – Sphere of Influence Review for the San Bernardino Valley Water Conservation District

DISCUSSION ITEMS:

7. Presentation of Preliminary Feasibility Study on the Rim of the World Incorporation
Supplemental Fiscal Sensitivity Report
8. First Quarter Financial Review for Period July 1 through September 30, 2015:

- A. Financial Review
- B. Recognize Increased Revenues of \$45,864 In Proposal Revenue(Account 9800) and Carryover (Account 9970) of \$29,163
- C. Increase Other Professional Services (Account 2445) by \$75,000 for contract staffing
- D. Authorization for Reinstatement of Sick Leave Balance with Payment to Retirement Medical Trust for Joe Serrano
- E. Transfer from Compensated Absence Reserve to Accounts 1010 and 1045 to Fund Termination Payments for separation of employee

INFORMATION ITEMS:

- 9. Legislative Update Report
- 10. Executive Officer's Report
- 11. Commissioner Comments
(This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on off-agenda items unless authorized by law.)
- 12. Comments from the Public
(By Commission policy, the public comment period is limited to five minutes per person for comments related to items under the jurisdiction of LAFCO.)

The Commission may adjourn for lunch from 12:00 to 1:30 p.m. The Commission may take action on any item listed in this Agenda whether or not it is listed For Action. In its deliberations, the Commission may make appropriate changes incidental to the above-listed proposals.

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

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

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

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

A person with a disability may contact the LAFCO office at (909) 388-0480 at least 72-hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.

Revised 10/13/15

**DRAFT - ACTION MINUTES OF THE - DRAFT
LOCAL AGENCY FORMATION COMMISSION
HEARING OF SEPTEMBER 16, 2015**

REGULAR MEETING

9:00 A.M.

SEPTEMBER 16, 2015

PRESENT:

COMMISSIONERS:	Jim Bagley	Robert Lovingood
	Kimberly Cox, Vice-Chair	Larry McCallon
	James Curatalo, Chair	James Ramos
	Steve Farrell, Alternate	Diane Williams

STAFF:

Kathleen Rollings-McDonald, Executive Officer
Clark Alsop, LAFCO Legal Counsel
Samuel Martinez, Assistant Executive Officer
Michael Tuerpe, Project Manager
Rebecca Lowery, Clerk to the Commission

ABSENT:

COMMISSIONERS:	Janice Rutherford, Alternate	Sunil Sethi, Alternate
	Acquanetta Warren, Alternate	

9:06 A.M. – CALL TO ORDER – FLAG SALUTE

CONSENT ITEMS – APPROVE STAFF RECOMMENDATION:

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

1. Approval of Minutes for Regular Meeting of August 19, 2015
2. Approval of Executive Officer's Expense Report
3. Ratify Payments as Reconciled for Months of July and August 2015 and Note Cash Receipts
4. Consideration of Fee Reduction Request by the Twentynine Palms Water District for its Reorganization Proposal to Annex its Territory to the San Bernardino County Fire Protection District and Divest the District of Fire Powers
5. Consideration of Fee Reduction Request by the Hesperia Fire Protection District for its Reorganization Proposal to Annex its Territory to the San Bernardino County Fire Protection District and Dissolve the Fire Protection District

6. Review and Approve Consultant Contract with Bob Aldrich to Provide Supplemental Staffing During FY 2015-16

LAFCO considered the items listed under its consent calendar, which includes a Visa Justification, ratification of payments as reconciled for the months of July and August, the Consideration of the Fee Reduction Requests by the Twentynine Palms Water District and the Hesperia Fire Protection District and the contract with Bob Aldrich for Supplemental Staffing. Copies of each report are on file in the LAFCO office and are made part of the record by their reference herein.

Commissioner McCallon moves approval of the consent calendar, second by Commissioner Lovingood. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: None.

PUBLIC HEARING ITEMS:

ITEM 7. CONSENT ITEMS DEFERRED FOR DISCUSSION

No items deferred for discussion.

ITEM 8. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3192; AND (2) LAFCO 3192 -- SPHERE OF INFLUENCE AMENDMENT FOR THE CHINO BASIN WATER CONSERVATION DISTRICT TO INCLUDE POSSIBLE EXPANSION OR REDUCTION OF SPHERE OF INFLUENCE

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3192, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald gives an overview of the definition contained within Government Code Section 56076 for a sphere of influence and the Commission's policies related to assignment of sphere of influence. She says that the Commission will consider a sphere of influence amendment for the district from amongst three options and will evaluate and make determinations on factors outlined in Government Code Section 56425.

Ms. McDonald says that option 1 would expand the sphere of influence to be coterminous with the sphere of influence of the Inland Empire Utilities Agency; option 2 would expand the sphere of influence to include the whole of the Chino Groundwater Basin in San Bernardino County. She says that while both options 1 and 2 would expand the district's sphere, staff believes that option 1 makes more logical service sense given that Inland Empire Utilities Agency's (IEUA) sphere is a clear and definable boundary; option 2 would require Chino Basin Water Conservation District to initiate sphere of influence expansion proposals with the LAFCO in both Riverside and Los Angeles counties pursuant to the existing Memorandum of Understanding with each of those agencies.

Ms. McDonald says that option 3 would be the designation a “zero” sphere of influence signaling the Commission’s position that a change of organization should take place assigning the district’s service obligations and responsibilities to another agency. She says that given the determinations made in the May 2015 service review, the information outlined in the staff report, and the determinations required for a sphere amendment, LAFCO staff recommends that the Commission choose Option 1 - expansion of the sphere of influence to be coterminous with the sphere of influence of the Inland Empire Utilities Agency. She says that this option would allow the Chino Basin WCD to provide its educational service on a larger scale and would allow the district to participate with other agencies for stormwater capture activities outside of its boundary but within its sphere of influence through contracts with overlying agencies. It would also support the Commission’s position that the ultimate unification of the agencies would provide the greatest benefit.

Michael Tuerpe, Project Manager, reviews the four factors of determination required by Government Code Section 56425, which will support staff’s recommendations. He reviews the Land Use Vicinity Map and says that as identified by the Department of Water Resources (DWR), the Chino Basin has been designated as a High Priority basin and the Cucamonga Basin as a Medium Priority basin for future monitoring. Both share similar population characteristics and have been impacted from the increasing population. He says that LAFCO uses a 30-year horizon for its population projections and that the subject area population is expected to significantly increase. He says that for water education, the Chino Basin WCD operates a demonstration garden and opened its renovated Water Conservation Center Campus in 2014 and with the expansion of the sphere of influence more residents will have the opportunity to be educated in water conservation. He says that the economic communities of interest are vast and varied and include heavy business, commercial, education and industrial areas, as well as an international airport.

Mr. Tuerpe states that when adopting or amending a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district. He says that LAFCO staff recommends that the Commission affirm the service description for Chino Basin WCD as identified in the LAFCO Policy and Procedure Manual, with no changes to existing powers.

Mr. Tuerpe says that with regard to the environmental considerations, the Commission’s environmental consultant, Tom Dodson, has recommended that LAFCO 3192 is statutorily exempt from the California Environmental Quality Act and that a copy of his analysis is included as an attachment to the staff report.

Executive Officer Kathleen Rollings-McDonald says that on September 9 staff provided to the Commission a copy of the supplemental report for LAFCO 3192 related to its existing out of agency service contracts. She says these contracts are between two public agencies, have been in existence for some time, and that the sphere of influence amendment proposed, which is an outgrowth of the May 2015 service review, provides a mechanism to recognize that these contracts exist. In addition, she notes that the report determines the existing contracts are exempt as outlined in Section 56133(e), they will be recognized by the filing of the report with the Commission, and that no further consideration is necessary. She says that pursuant to Commission policy, any and all future contracts for service within the District’s sphere of

influence would be administratively reviewed without requirement for placement on a Commission agenda as the service to be provided would not facilitate development.

Ms. McDonald concludes and reviews staff's recommendations and says that through the assignment of a sphere of influence, services can be provided through the west end of the valley.

Commissioner Cox says that this is an opportune time for the district and asks if additional monies will be needed. Ms. McDonald say that no additional monies will be utilized as a sphere amendment is not a jurisdictional change so there is no exchange of revenue. Ms. Cox ask if this amendment will change the district's role with the Watermaster; to which Ms. McDonald responds that the sphere of influence amendment will make no change to their current role. Ms. Cox says that the work the district does is so important and that she would not like to see them inhibited in expanding that role.

Commissioner Bagley says that the Chino Basin WCD has an extraordinary facility, however, he has concerns regarding longevity of the district which was created in the 1940's and continues to reinvent itself with the times. He says he always looks at if an agency is still in the best interest of the public, but for now, is in support of staff's recommendation for option one.

Kati Parker, President, Chino Basin Water Conservation District, says that the district supports staff recommendations for the sphere and gives her thanks to staff for their work. She says that the sphere is consistent with the districts existing efforts and activities and that new area would expand the educational opportunities and would allow more schools to participate in the districts programs.

Commissioner Bagley moves approval of staff recommendations for LAFCO 3192, second by Commissioner Cox. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: None.

DISCUSSION ITEMS:

ITEM 9 LAFCO STAFF REQUEST REGARDING SERVICE REVIEW REQUIRED BY THE PROPOSED SPHERE OF INFLUENCE AMENDMENTS FOR THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT

Executive Officer Kathleen Rollings-McDonald presents the staff report for agenda item 9, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald says that three significant proposals regarding fire protection are anticipated to be received by staff for processing by July 1, 2016. She says that due to the type of actions being submitted, service reviews are not required under Commission Policy. Staff is requesting that the Commission determent that it will not be requiring a service review for the sphere of influence amendments proposed for the San Bernardino County Fire Protection District and make the determination that the prior for staff be to process these proposals first, other

proposals for change of organization next and the proposals for ongoing service reviews last.

Commissioner Cox asks if there is the ability to reach out to other agencies like Adelanto and inform them of the possibility of the change for fire protection. Ms. McDonald says that County Fire has had discussions with the city and that some alternatives are being considered.

Commissioner Bagley says that there are agencies facing economic crisis and that this is a good costs savings option for them.

Commissioner Ramos moves to approve staff recommendations, second by Commissioner Lovingood. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: None.

INFORMATION ITEMS:

ITEM 10 LEGISLATIVE UPDATE REPORT

Executive Officer Kathleen Rollings-McDonald presents the Legislative report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. Ms. Rollings-McDonald states that she has provided for the Commission a copy of the CALAFCO Legislative Update which includes information regarding the current status of bills determined to be of importance to LAFCO. She says that SB 552 has been stalled making SB 88, the Drought Trailer Bill the letter of the law until the next legislative cycle. She says that the upcoming issues to review are drought related and that the legislature still has interest in the mutual water companies; open data, transparency issues, and infrastructure needs are also currently of interest to the legislature. She says that letters to the Governor have been mailed; AB 402 Dodd – Request to Sign; AB 851 Mayes – Request to Sign; and that copies have been provided to the Commission.

Commissioner Lovingood says that he is pleased with the support received from the legislative delegates. Ms. McDonald says that at the CALAFCO Annual Conference, Chad Mayes was honored as the CALAFCO Legislator of the year for all of his work on AB 851 and Samuel Martinez, Assistant Executive Officer, was honored as Outstanding LAFCO Professional. She says that staff has also provided a copy of the publication “The Sphere” and a copy of the save the date information for next year’s annual conference to be held October 26-18, 2016 in Santa Barbara.

Ms. McDonald says that she has provided a decision letter from the Bureau of Land Management related to the Cemax Mine in Santa Clarita which revokes their contract in Santa Clarita and assess penalties for failure to pursue contracts in a timely manner and will hopefully keep agencies aware of the importance of preserving the mineral resource elements, open space and agriculture.

ITEM 11 EXECUTIVE OFFICER'S ORAL REPORT:

Executive Officer Kathleen Rollings-McDonald says that the agendas will become laden with more items in the coming months and that the hearings will be lengthy and complex.

Clark Alsop, the Commission’s Legal Counsel, says that a letter of support for the Chino Basin Water Conservation District expansion has also been provided to the Commission.

ITEM 12 COMMISSIONER COMMENTS

Commissioner Cox says that she is please that the Bureau of Land Management has resolved the Cemax issue and that she had meet with legislators in the past to on this issue with regard to the high desert. She says that she has been asked by the CSDA to participate in a Special District formation group to create a guide for special districts and that she will be co-authoring the chapter on post LAFCO processes.

Commissioner Bagley says that he enjoyed the CALAFCO Annual Conference and offers his congratulations to Samuel Martinez and to Jim Curatalo says that he is proud to be part of the LAFCO organization. Ms. McDonald says that Mr. Curatalo was nominated the vice-chair of the Board of Directors of CALAFCO.

Chairman Curatalo says that he would like to thank the Commission and Staff for the continued support to CALAFCO and that it is easy to represent San Bernardino County with the vast amount of support and involvement provided. He thanks Commissioners Lovingood and Ramos for their financial sponsorship of the Annual Conference.

Commissioner Lovingood says that he will continue to support the preservation of agriculture and natural resources in the desert.

Chairman Curatalo says that at the Annual Conference, San Bernardino LAFCO won two awards for their wine entries provided by the J. Filippi Winery in the beer and wine competition.

Commissioner Farrell says that the Annual Conference was very enjoyable and informative and he was proud to be a part of the San Bernardino Commission.

Ms. McDonald introduces Bob Aldrich, newly contracted LAFCO support staff member.

ITEM 13 COMMENTS FROM THE PUBLIC

No comments.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION THE HEARING IS ADJOURNED AT 10:00 A.M.

ATTEST:

REBECCA LOWERY
Clerk to the Commission

LOCAL AGENCY FORMATION COMMISSION

JAMES CURATALO, Chairman

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: OCTOBER 7, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

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

RECOMMENDATION:

Approve the Executive Officer’s Expense Report for Procurement Card Purchases and expense claim for September 2015 as presented.

BACKGROUND INFORMATION:

The Commission participates in the County of San Bernardino’s Procurement Card Program to supply the Executive Officer a credit card to provide for payment of routine official costs of Commission activities as authorized by LAFCO Policy and Procedure Manual Section II – Accounting and Financial Policies #3(H). Staff has prepared an itemized report of purchases that covers the billing period of August 25, 2015 through September 22, 2015.

A copy of the Executive Officer’s Travel Claim is also provided for the Commission’s approval.

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

KRM/rcf

Attachments



COUNTY OF SAN BERNARDINO
PROCUREMENT CARD PROGRAM


Page 1 of 1

MONTHLY PROCUREMENT CARD PURCHASE REPORT

Card Number	Cardholder	Billing Period
[REDACTED]	Kathleen Rollings-McDonald	8/25/15 to 9/22/15

Date	Vendor Name	Receipt/ Invoice No.	Item Description	Purpose	\$ Amount	Reconciled (R) Disputed (D)	Sales Tax Included on invoice (Yes or No)
8-26	Boxwood Technology	1	Payment for Posting in Special Districts	Posting of Open Staff Analyst Position	100.00	R	N
9-03	Sitoe Long Island Cab	2	Cab Fare – Rollings-McDonald	CALAFCO Annual Conf.	38.00	R	N
9-07	Hyatt Hotels Sacramento	3	Hotel – Farrell, Curatalo, Bagley, Martinez	CALAFCO Annual Conf.	2,073.92	R	Y
9-07	Hyatt Hotels Sacramento	4	Lunch – Rollings-McDonald, Martinez	CALAFCO Annual Conf.	40.61	R	N
9-07	Steve Karimi	5	Cab Fare – Rollings-McDonald	CALAFCO Annual Conf.	40.25	R	N
9-14	CA Society of Muni. Fin Officers	6	Registration – Tuerpe	Inland Empire CSMFO Chapter Meeting	30.00	R	N
9-18	Storetrieve LLC	7	Monthly Payment	Records Storage and Maintenance	49.03	R	N

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

Cardholder (Print & Sign)	Date
Kathleen Rollings-McDonald 	10-5-15

Approving Official (Print & Sign)	Date
James Curatalo, Chairman	10/21/15

TO BE COMPLETED BY EMPLOYEE

[illegible]

	MILEAGE AMOUNT	EXPENSES	
SUB TOTAL	\$	\$ 45.00	
LESS ADVANCE			TOTAL CLAIM
TOTAL	\$	\$ 45.00	\$ 45.00

Signed

Claimant

Mail Code

Date _____


Approved

Authorized Signer (Print and Sign)

James V. Curatalo

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE : OCTOBER 7, 2015 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

**SUBJECT: AGENDA ITEM #3 - RATIFY PAYMENTS AS RECONCILED FOR
MONTHS OF SEPTEMBER 2015 AND NOTE REVENUE RECEIPTS**

RECOMMENDATION:

Ratify payments as reconciled for the month of September 2015 and note revenue receipts for the same period.

BACKGROUND INFORMATION:

Staff has prepared a reconciliation of warrants issued for payments to various vendors, internal transfers for payments to County Departments, cash receipts and internal transfers for payments of deposits or other charges that cover the period of September 1, 2015 through September 30, 2015.

Staff is recommending that the Commission ratify the payments for September 2015 outlined on the attached listings and note the revenues received.



KRM/rci

Attachment

MONTHLY RECONCILIATION OF PAYMENTS

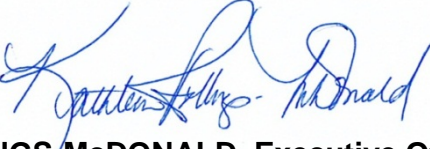
MONTH OF SEPTEMBER 2015 PAYMENTS PROCESSED					
VOUCHER DOCUMENT ID	ACCOUNT	NAME	WARRANT NUMBER	WARRANT DATE	AMOUNT
PV8908421	2400	BEST BEST & KRIEGER	3257114	09/01/15	\$ 3,691.80
PV8908422	2424	TOM DODSON & ASSOCIATES	3257248	09/01/15	\$ 595.00
PV8908423	2445	ROSENOW SPEVACEK GROUP INC	8713464	09/01/15	\$ 3,015.00
PV8908424		ALREADY PROCESSED			
PV8908425	2305	PAPER RECYCLING SPECIALISTS	8714802	09/03/15	\$ 34.00
PV8908426	2400	BEST BEST & KRIEGER	3257346	09/03/15	\$ 3,300.00
PV8908427	2125	DAISY WHEEL RIBBON CO INC	3257354	09/03/15	\$ 657.09
PV8908428		NOT YET PROCESSED			
PV8908429	2445/2940	JIM BAGLEY	8716889	09/09/15	\$ 303.40
PV8908430	2445/2940	KIMBERLY COX	8716900	09/09/15	\$ 262.10
PV8908431	2445/2940	JAMES V CURATALO	8716884	09/09/15	\$ 228.75
PV8908432	2445/2940	STEVEN FARRELL	8716978	09/09/15	\$ 218.98
PV890843301	2445	ROBERT A LOVINGOOD	8716966	09/09/15	\$ 200.00
PV890843302	2445	JAMES C RAMOS	8716886	09/09/15	\$ 200.00
PV890843303	2445	LARRY MCCALLON	8716912	09/09/15	\$ 200.00
PV8908434	2445/2940	ACQUANETTA WARREN	8716821	09/09/15	\$ 218.40
PV8908435	2445/2940	DIANE WILLIAMS	8716860	09/09/15	\$ 229.90
PV8908436	2400	CALAFCO	8726025	09/29/15	\$ 2,500.00
PV8908437	2085	DAILY JOURNAL	8726063	09/29/15	\$ 893.20
PV8908438-41		NOT YET PROCESSED			
PV8908442	2040	VERIZON CALIFORNIA	8723915	09/23/15	\$ 3,585.64
PV8908443		NOT YET PROCESSED			
PV8908444	2445	CITY OF SAN BERNARDINO	8723797	09/23/15	\$ 300.00
PV8908445-48		NOT YET PROCESSED			
PV890844901	2445	ROBERT A LOVINGOOD	8726152	09/29/15	\$ 200.00
PV890844902	2445	JAMES C RAMOS	8726095	09/29/15	\$ 200.00
PV890844903	2445	LARRY MCCALLON	8726103	09/29/15	\$ 200.00
TOTAL					\$ 21,233.26
MONTH OF SEPTEMBER 2015 INTERNAL TRANSFERS PROCESSED					
JVIB 02082037D	2037	AUGUST 2015 PHONE		9/8/2015	\$ 213.01
JVCS 20150928064	2305	STAPLES SERVICE CHARGE		9/28/2015	\$ 12.72
JVCS 20150928064	2305	STAPLES SERVICE CHARGE		9/28/2015	\$ 40.44
JVCS 20150928064	2305	STAPLES SERVICE CHARGE		9/28/2015	\$ 15.80
JVCS 20150928064	5012	STAPLES SUPPLIES		9/28/2015	\$ 336.97
JVCS 20150928064	5012	STAPLES SUPPLIES		9/28/2015	\$ 105.96
JVCS 20150928064	5012	STAPLES SUPPLIES		9/28/2015	\$ 131.63
JVATXRT03372	2308	CAL-CARD PAYMENT - SEPTEMBER		9/3/2015	\$ 5,898.05
JVPURRT03635	2310	PACKAGING - MAIL		9/10/2015	\$ 922.36
JVPURRT03639	2310	PRESORT FLATS - MAIL		9/10/2015	\$ 20.36
JVPURRT03620	2310	1ST CLASS PRESORT- MAIL		9/15/2015	\$ 137.76
JVPURRT03632	2310	INTER-OFFICE MAIL		9/15/2015	\$ 176.40
JVPURRT03637	2310	PACKAGING - MAIL		9/17/2015	\$ 5.40
JVIB 02082410AB	2410	AUG 2015 DATA PROC		9/8/2015	\$ 2.38
JVIB 02082410AF	2410	AUG 2015 DATA PROC		9/8/2015	\$ 150.81
JVIB 02082410AK	2410	AUG 2015 DATA PROC		9/8/2015	\$ 0.99
JVIB 02082410E	2410	AUG 2015 DATA PROC		9/8/2015	\$ 87.12
JVIB 02082410P	2410	AUG 2015 DATA PROC		9/8/2015	\$ 137.93
JVIB 02082410T	2410	AUG 2015 DATA PROC		9/8/2015	\$ 53.72
JVIB 02082410X	2410	AUG 2015 DATA PROC		9/8/2015	\$ 152.64
JVIB 02082420J	2420	AUGUST 2015 ISD OTHER IT SERVICES		9/8/2015	\$ 58.44

MONTHLY RECONCILIATION OF PAYMENTS

MONTH OF SEPTEMBER 2015 INTERNAL TRANSFERS PROCESSED (cont.)					
JVIB 02082421D	2421	AUGUST 2015 ISD DIRECT		9/8/2015	\$ 779.89
JV890RT03504	2424	NOE FOR LAFCO POLICY AND PROCEDURE MANUAL		9/8/2015	\$ 50.00
JV890RT04066	2424	NOE FOR SC#397		9/18/2015	\$ 50.00
JV890RT04339	2424	NOE FOR LAFCO 3192 & SC#399		9/22/2015	\$ 100.00
JVATXRT04441	2445	2015 2ND QUARTER PAYROLL FEE		9/24/2015	\$ 926.10
JV890RT04442	2445	ROV FEES FOR LAFCO 3191 - INV 2366		9/24/2015	\$ 179.37
TOTAL					\$ 10,746.25
MONTH OF SEPTEMBER 2015 CASH RECEIPTS					
DEPOSIT DOCUMENT ID	ACCOUNT	DESCRIPTION		DEPOSIT DATE	AMOUNT
CRATXA03019	8842	MOJAVE DESERT RESOURCE CONSERVATION DISTRICT, APPORTIONMENT		9/8/2015	\$ 19.84
CR890A02935	9545	INDIVIDUAL NOTICE		9/4/2015	\$ 1,000.00
CR890A03695	9545	INDIVIDUAL NOTICE		9/24/2015	\$ 1,000.00
CR890A03714	9545	INDIVIDUAL NOTICE		9/25/2015	\$ 700.00
CR890A02935	9555	LEGAL FEES		9/4/2015	\$ 7,500.00
CR890A03695	9555	LEGAL FEES		9/24/2015	\$ 1,150.00
CR890A03714	9555	LEGAL FEES		9/25/2015	\$ 1,150.00
CR890A02935	9660	ENVIRONMENTAL		9/4/2015	\$ 750.00
CR890A03579	9660	ENVIRONMENTAL		9/22/2015	\$ 50.00
CR890A03695	9660	ENVIRONMENTAL		9/24/2015	\$ 750.00
CR890A03714	9660	ENVIRONMENTAL		9/25/2015	\$ 750.00
CR890A02935	9800	LAFCO FEES		9/4/2015	\$ 68,317.00
CR890A03579	9800	LAFCO FEES		9/22/2015	\$ 450.00
CR890A03695	9800	LAFCO FEES		9/24/2015	\$ 20,000.00
CR890A03714	9800	LAFCO FEES		9/25/2015	\$ 36,863.00
CR890A03695	9930	MISCELLANEOUS		9/24/2015	\$ 10.00
TOTAL					\$ 140,459.84
MONTH OF SEPTEMBER 2015 INTERNAL TRANSFERS RECEIVED					
TRANSFER DOCUMENT ID	ACCOUNT	NAME		TRANSFER DATE	AMOUNT
JVBDFRT03196	9970	OTHER		9/1/2015	\$ 2,500.00
TOTAL					\$ 2,500.00
 REBECCA LOWERY, Clerk to the Commission			10/8/2015 DATE		
RECONCILIATION APPROVED BY:  KATHLEEN ROLLINGS-McDONALD, Executive Officer			10/8/2015 DATE		

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 8, 2015 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
SAMUEL MARTINEZ, Assistant Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #4: LAFCO 3196 – Reorganization to include City of Big Bear Lake Annexations and Detachments from County Service Area 53 and its Zones B and C, County Service Area 54, and County Service Area 70 and its Zones R-3 and R-5 (Non-contiguous Municipally-owned Parcels)

INITIATED BY:

Resolution of the City Council of the City of Big Bear Lake

RECOMMENDATION:

The staff recommends that the Commission approve LAFCO 3196 by taking the following actions:

1. Determine that the proposed contracts between the City of Big Bear Lake and County Service Area 70 Zones R-3 and R-5 for continuing road maintenance service comply with the exemption criteria listed within Government Code Section 56133 Subsection (e) and, therefore, do not require Commission approval to proceed;
2. Certify that LAFCO 3196 is statutorily exempt from the provisions of the California Environmental Quality Act and direct the Executive Officer to file the Notice of Exemption within five (5) days;
3. Approve LAFCO 3196, with the standard LAFCO terms and conditions that include the “hold harmless” clause for potential litigation costs by the applicant;
4. Waive protest proceedings, as permitted by Government Code Section 56663(c), with 100% landowner consent to the reorganization; and,
5. Adopt LAFCO Resolution #3206 setting forth the Commission’s determinations and conditions of approval concerning the reorganization proposal.

BACKGROUND:

LAFCO 3196 is a proposal that consists 19 separate areas totaling approximately 6.95 acres of non-contiguous, municipally-owned parcels. The City of Big Bear Lake (City) is proposing to annex its properties used by its Department of Water and Power (DWP) for water system facilities including well pumping plants, booster stations, water reservoirs, and other water related facilities. The proposal will also include detachments from various board-governed entities including County Service Area (CSA) 53 and/or its Zones B and C, CSA 54, and/or CSA 70 and its Zones R-3 and/or R-5.

All the parcels are scattered throughout the unincorporated Bear Valley community including three parcels located in the community of Fawnskin, a parcel generally located southwest of the City of Big Bear Lake, three parcels located in the Moonridge area, four parcels located in the Lake Williams area, five parcels generally located in and around the unincorporated community of Sugarloaf, and four parcels generally located in and around Erwin Lake for a total of 20 parcels comprising 19 separate areas (one area having two adjacent parcels). The areas vary between 5,000 and 101,916 square feet in size. Figure 1 below provides a general location of all the areas (in red) that are being considered in this reorganization proposal.

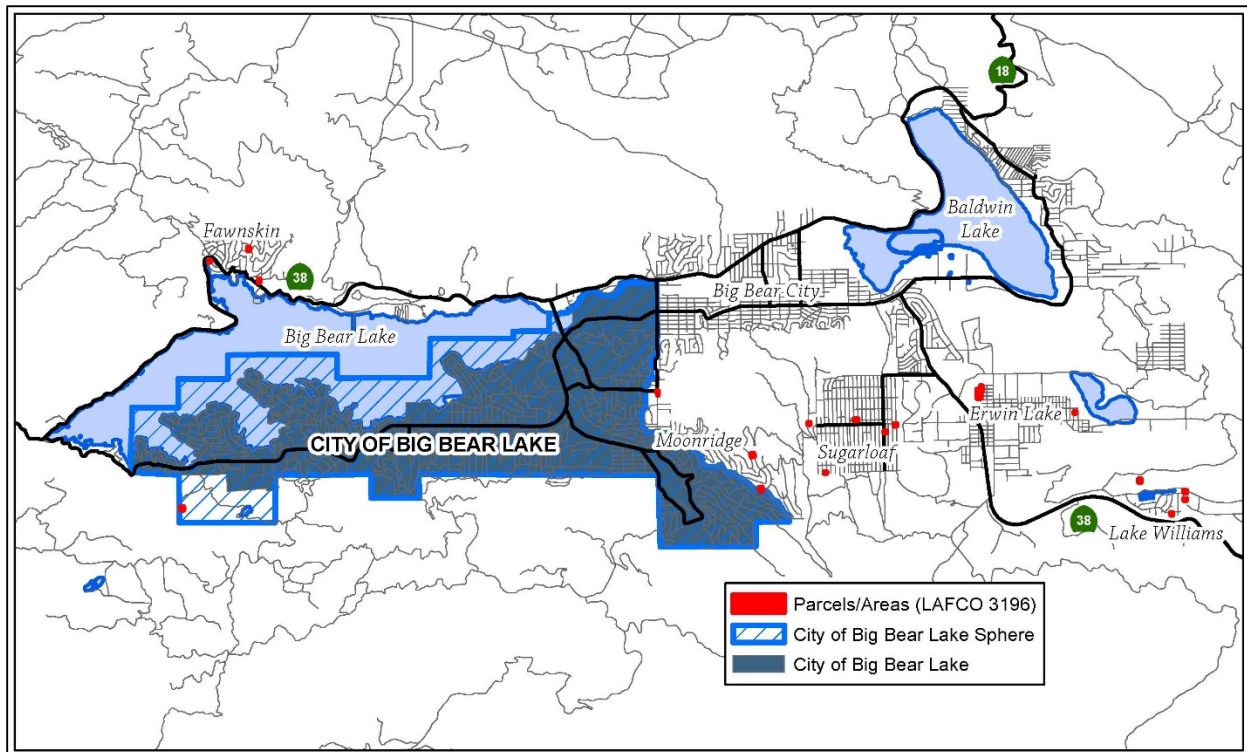


Fig. 1: Vicinity Map

A public agency is exempt from paying property taxes on lands that it owns provided the lands are within the agency's boundaries. However, in this case, these lands that are owned by the City of Big Bear Lake are not within its corporate boundaries. Therefore, the

City is obligated to pay property taxes on all of these parcels since all are located outside of the City's corporate boundaries.

Pursuant to Government Code Section 56742, a city can annex non-contiguous territory if it meets certain criteria:

1. The parcels are located in the same county as that in which the city is situated;
2. The parcels are owned by the city; and,
3. The parcels are being used for municipal purposes.

The parcels that are being proposed for annexation are all within the County of San Bernardino, all are owned by the City of Big Bear Lake, and are all used as public facilities for its Department of Water and Power either as its well site, a booster station, a water storage facility, and/or other related facilities. Therefore, this proposal meets the basic requirements for annexation of non-contiguous territory as allowed under the provisions of Government Code Section 56742.

Upon annexation, these parcels will be part of the City and therefore would be relieved of a total of approximately \$110,000 in annual property tax obligation – the primary reason the City has submitted this reorganization proposal.

This report will provide the Commission with the information related to the four major areas of consideration required for a jurisdictional change – boundaries, land uses, service issues and the effects on other local governments, and environmental considerations.

BOUNDARIES:

The 19 areas being considered for LAFCO 3196 encompass a total of approximately 302,571 square feet of land (6.5+/- acres) that encompass a total of 20 parcels. In detail, these areas are described as follows:

- *Areas 1, 2 & 3 - Annexation to the City of Big Bear Lake and Detachment from CSA 53 and its Zones B & C, CSA 54, and CSA 70*

Area 1 (5,095+/- sq. ft.), Area 2 (15,000+/- sq. ft.), and Area 3 (8,663+/- sq. ft.) are three individual parcels located in the unincorporated community of Fawnskin.

- *Areas 4, 5, 7, 8, 9, 10, 11, 12, & 13 - Annexation to the City of Big Bear Lake and Detachment from CSA 53 and CSA 70*

Area 4 (22,500+/- sq. ft.) is a parcel generally located southwest of the City of Big Bear Lake. Area 5 (19,801+/- sq. ft.), Area 11 (6,153+/- sq. ft.), and Area 12 (20,914+/- sq. ft.) are three individual parcels generally located in the unincorporated Moonridge area. Area 7 (15,000+/- sq. ft.), Area 8 (8,055+/- sq. ft.), Area 9 (15,612+/- sq. ft.), and Area 10 (9,519+/- sq. ft.) are four individual parcels generally located in the Lake Williams area. Area 13 (10,000+/- sq. ft.) is a parcel located westerly of the unincorporated community of Sugarloaf (Sawmill Canyon).

- *Areas 6, 16, & 17 - Annexation to the City of Big Bear Lake and Detachment from CSA 53, CSA 70 and its Zone R-3*

Area 6 (two parcels totaling 101,916+/- sq. ft.), Area 16 (a parcel containing 9,343+/- sq. ft.), and Area 17 (a parcel containing 5,000+/- sq. ft.) are generally located in the Erwin Lake area.

- *Areas 14, 15, 18 & 19 - Annexation to the City of Big Bear Lake and Detachment from CSA 53, CSA 70 and its Zone R-5*

Area 14 (5,000+/- sq. ft.), Area 15 (10,000+/- sq. ft.), Area 18 (5,000+/- sq. ft.), and Area 19 (10,000+/- sq. ft.) are four individual parcels generally located in the unincorporated community of Sugarloaf.

The maps that follow provide the general location of each of the 19 areas. Location and other vicinity maps for the reorganization proposal are also included as Attachment #1 to this report.

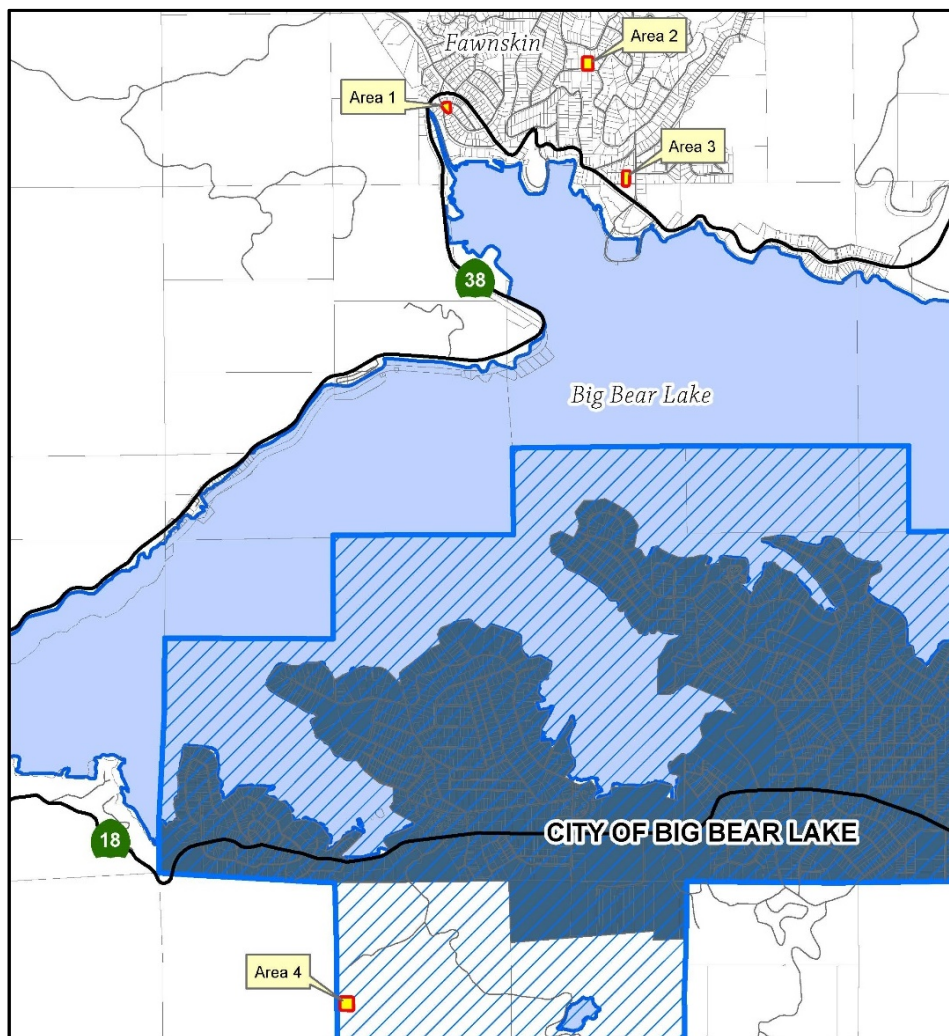


Fig. 2: Fawnskin area and portion southwesterly of the City

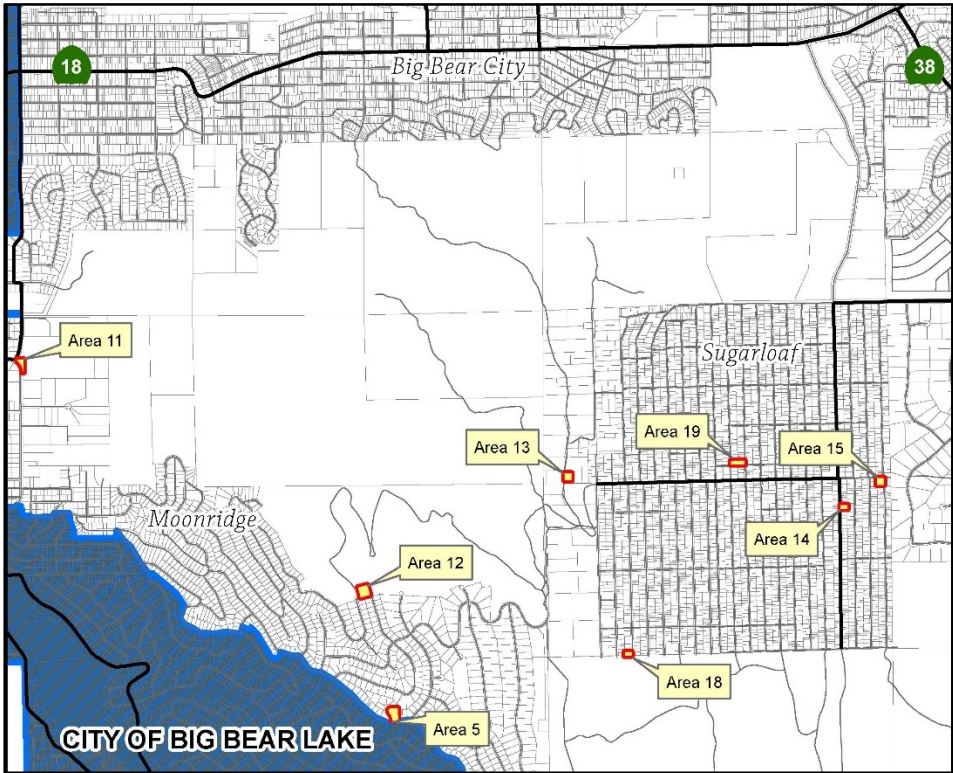


Fig. 3: Moonridge and Sugarloaf areas

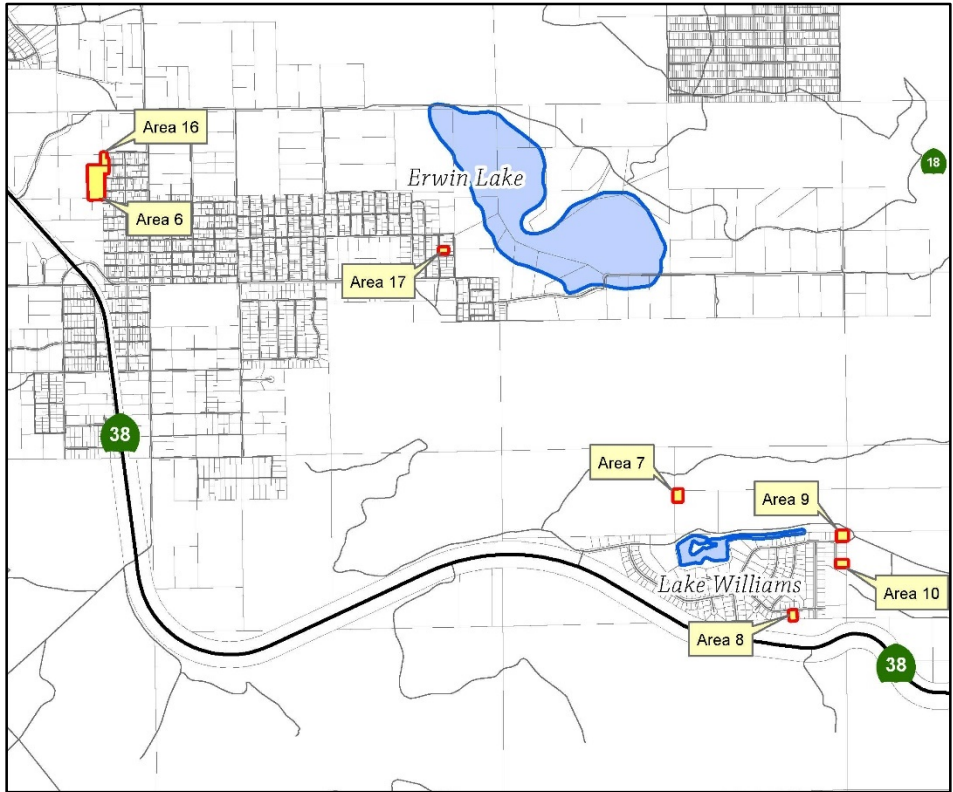


Fig. 4: Erwin Lake and Lake Williams areas

Sphere of Influence Determination

All of the 19 areas are located outside of the City's existing sphere of influence, which would generally prohibit the annexation of such lands as a sphere of influence designation is a prerequisite for annexation. Government Code Section 56375.5 specifically states that every determination by a commission regarding sub-sections (a), (m) and (n) of Section 56375 must be consistent with the sphere of influence of the affected agency. The annexation of non-contiguous city-owned lands fall under sub-section (d) of Section 56375; therefore, the provision regarding the sphere of influence to be consistent does not apply.

LAND USE:

The reorganization areas are either improved with well pumping plants, booster stations, water reservoirs, and/or other water related facilities. Below are examples of some of these on-site facilities:



Fig. 5: Area 19 – Magnolia Well Pumping Plant



Fig. 6: Area 4 – Cedar 1.0 MG Reservoir



Fig. 7: Area 1 – Cherokee Well Pumping Plant

The existing uses directly surrounding these areas are a mix of vacant land, residential and/or commercial development.

County Land Use Designation:

The reorganization areas are all within the County's Bear Valley Community Plan area. The County's land use designation for each of the areas include BV/RC (Resource Conservation) for Area 7, BV/RL-40 (Rural Living- 40 acres minimum) for Area 4, BV/RS-1 (Single Residential-1 acre minimum) for Area 13, BV/RS-20 (Single Residential-20,000 sq. ft. minimum) for Areas 2 and 12, BV/RS (Single Residential) for Areas 3 and 5, 6, 8, 9, 10, 11, 14, 15, 16, 17, 18, and 19, and BV/RM (Multiple Residential) for Area 1.

City's General Plan and Pre-Zone Designation:

These City-owned parcels are already developed and built-out with its water system facilities; therefore, pre-zoning is not required. Following completion of the annexation, the City's DWP and its Planning Department will coordinate the processing of a General Plan Amendment to designate these parcels with a General Plan land use designation of Public Facilities (P). The Public Facilities designation is utilized for various types of public facilities including schools, parks, sewer and water facilities, and other similar uses.

SERVICE ISSUES AND EFFECTS ON OTHER LOCAL GOVERNMENTS:

In every consideration for jurisdictional change, the Commission is required to look at the existing and proposed service providers within an area. Current County service providers within the reorganization areas include: San Bernardino County Fire Protection District and its Mountain Service Zone (for Areas 1, 2, 3, and 4), CSA 53 and its Zones B and C (for Areas 1, 2, and 3), CSA 70 and its Zone R-3 (for Areas 6, 16, and 17) and Zone R-5 (for Areas 14, 15, 18, and 19), and Big Bear Valley Recreation and Park District. In addition, the following entities overlay the reorganization area: Big Bear City Community Services District (Areas 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, and 19), Inland Empire Resource Conservation District, Bear Valley Community Healthcare District, Big Bear Airport District, and Big Bear Municipal Water District.

The application includes a plan for the extension of services for the reorganization area as required by law and Commission policy (included as part of Attachment #2 to this report). The Plan for Service includes a Fiscal Impact Analysis indicating that the project will have a positive financial effect (savings) for the City. In general, the Plan identifies the following:

- Water service is already provided by the City through its existing water facilities.
- Electricity is currently provided by the Bear Valley Electric Service, a private electric utility company regulated by the Public Utilities Commission. No change will occur for this service provider on the basis of this reorganization.
- Law enforcement responsibilities are currently provided by the San Bernardino County Sheriff's Department. No change will occur to this service provider but will transition to the City's contract for service following the completion of the reorganization.

- Fire protection and paramedic services are currently the responsibility of the San Bernardino County Fire Protection District and its Mountain Service Zone for Areas 1 thru 4 and the Big Bear Fire Authority (a joint powers authority between the Big Bear Lake Fire Protection District and the Big Bear City Community Services District) for Areas 5 thru 19. No change in jurisdiction is proposed; therefore, both service providers will continue to serve their respective areas upon completion of the reorganization.
- Drainage facilities that exist within Areas 1, 9, 11, 13, and 14 will continue to be maintained by the DWP.
- Road service is currently provided by CSA 70 Zone R-3 to Areas 6 (portion), 16, and 17. A contract is being negotiated with CSA 70 Zone R-3 for on-going road maintenance for these areas following annexation. In addition, road service is currently provided by CSA 70 Zone R-5 to Areas 14, 15, 18, and 19. A contract is also being negotiated with CSA 70 Zone R-5 for on-going road maintenance for these four areas. An exemption request from the provisions of Government Code Section 56133(e) has been submitted to LAFCO by the County Special Districts Department related to these contracts. This is discussed more fully in the section below regarding “Out-of-Agency Service Agreement for On-going Road Maintenance.”
- Park and recreation service will be unaffected since the parcels will remain within the jurisdiction of the Big Bear Valley Recreation and Park District and are uninhabited.

Out-of-Agency Service Agreements for On-going Road Maintenance

On October 5, 2015, the County Special Districts Department submitted a letter (included as Attachment #3) requesting that the Commission determine that the Out-of-Agency Service Agreements between CSA 70 Zones R-3 and R-5 and the City of Big Bear Lake are exempt from the provisions of Government Code Section 56133. The agreements allow for the on-going road maintenance service for the parcels being detached from CSA 70 Zones R-3 and R-5 as a function of LAFCO 3196. The City is scheduled to take these agreements to its City Council on October 26, 2015 for approval, and the County is scheduling approval of said agreements at its November 17, 2015 Board of Supervisor’s meeting.

Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. However, the law provides for exemptions, and one such exemption is for contracts or agreements solely involving two or more public agencies.

After reviewing the proposed contracts, it is staff’s position that the exemption applies to said contracts between the CSA 70 Zones R-3 and R-5 and the City of Big Bear Lake, and therefore should be recognized as being exempt from further LAFCO review on the basis of the following: 1) The contracts for service are between two public agencies. One contract is between CSA 70 Zone R-3 and the City while the other contract is between CSA 70 Zone R-5 and the City; 2) The public service is to provide on-going road maintenance to the parcels being detached from CSA 70 Zones R-3 and R-5 with payment for the service being

provided by the City, which is an alternative to the City providing the service on its own; and, 3) The level of service provided through the contracts is consistent with the level of service contemplated by the City.

Therefore, LAFCO staff recommends that the Commission recognize that, pursuant to Government Code Section 56133 Subsection (e), the proposed contracts for road maintenance services between CSA 70 Zones R-3 and R-5 and the City of Big Bear Lake do not require Commission approval in order to proceed.

As required by Commission policy and State law, the Plan for Service shows that the extension of its services will maintain, and/or exceed, current service levels provided through the County or other detaching entities.

ENVIRONMENTAL CONSIDERATIONS:

As the CEQA lead agency, the Commission's Environmental Consultant, Tom Dodson from Dodson and Associates, has indicated that the review of LAFCO 3196 is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that the Commission's approval of the reorganization has no potential to cause any adverse effect on the environment. No proposal for development and/or physical modification has been identified on any of the parcels being annexed into the City. Therefore, the proposal is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). A copy of Mr. Dodson's analysis is included as Attachment #4 to this report.

WAIVER OF PROTEST PROCEEDINGS:

The City of Big Bear Lake is the current landowner for all areas being considered for the reorganization proposal. Therefore, if the Commission approves LAFCO 3196 and none of the affected agencies have submitted written opposition to a waiver of protest proceedings, staff is recommending that further protest proceedings be waived and that the Executive Officer be directed to complete the action following exhaustion of the mandatory reconsideration period of 30-days.

CONCLUSION:

The proposal was submitted by the City of Big Bear Lake in order to relieve itself of a recurring annual property tax obligation of approximately \$110,000, which is a significant savings that would benefit the water ratepayers for its Department of Water and Power. A public agency is only exempt from paying property taxes on lands that it owns if the lands are within the agency's boundaries. Government Code Section 56742 allows for the annexation of the City's non-contiguous municipally-owned territory if it meets certain criteria, and the City's application clearly meets the terms. Therefore, for these reasons, and those outlined throughout the staff report, the staff supports the approval of LAFCO 3196.

DETERMINATIONS:

The following determinations are required to be provided by Commission policy and Government Code Section 56668 for any change of organization/reorganization proposal:

1. The reorganization proposal is legally uninhabited containing no registered voter within any of the 19 areas.
2. The County Assessor's Office has determined that the total assessed value of land within the reorganization area is \$211,746 as of August 6, 2015.
3. The areas being annexed through this reorganization proposal are not within the sphere of influence assigned the City of Big Bear Lake. However, the municipally-owned parcels are being annexed into the City through the non-contiguous annexation process pursuant to Government Code Section 56072 wherein the provision regarding sphere consistency does not apply.
4. Legal advertisement of the Commission's consideration of the proposal has been provided through publication in *The Big Bear Grizzly*, a newspaper of general circulation within the reorganization area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notice.
5. In compliance with Commission policy and Government Code Section 56157, the Notice of Hearing for this proposal was provided by publication in the *Big Bear Grizzly* as an 1/8th page legal ad. Comments from registered voters and landowners and any affected local agency in support or opposition will be reviewed and considered by the Commission in making its determination.
6. The City of Big Bear Lake will designate all the areas being annexed into the City as Public Facilities (P) through a General Plan Amendment following completion of the annexation process. Pre-zoning was not a requirement as allowed under Government Code Section 56375(a)(7) as the properties are already developed.
7. The Southern California Associated Governments (SCAG) adopted its 2012-2035 Regional Transportation Plan and Sustainable Communities Strategy pursuant to Government Code Section 65080. LAFCO 3196 has no direct impact on SCAG's Regional Transportation Plan.
8. The Commission's Environmental Consultant, Tom Dodson and Associates, has recommended that this proposal is statutorily exempt from environmental review based on the finding that the Commission's approval of the reorganization has no potential to cause any adverse effect on the environment since no development and/or physical modification is proposed on any of the parcels being annexed; and therefore, the proposal is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). Mr. Dodson recommends that the Commission adopt the Statutory Exemption and direct its Executive Officer to file a

Notice of Exemption within five (5) days. A copy of Mr. Dodson's response letter is included as Attachment #4 to this report.

9. The reorganization areas are served by the following local agencies:

San Bernardino County of San Bernardino
Bear Valley Community Healthcare District
Big Bear Airport District
Big Bear Municipal Water District
Big Bear Valley Park and Recreation District
Big Bear City Community Services District (portion)
Inland Empire Resource Conservation District
San Bernardino County Fire Protection District and its Mountain Service Zone
(portion)
County Service Area 53 and its Zones B and C (portion)
County Service Area 70 (unincorporated County-wide multi-function agency)
and its Zones R-3 and R-5 (portion)

County Service Area 53 and its Zones B and C along with County Service Area 70 and its Zones R-3 and R-5 will be detached as a function of this reorganization. None of the other agencies are affected by this proposal as they are regional in nature.

10. A plan was prepared for the extension of services to the reorganization area, as required by law. The Plan for Service indicates that the City can maintain and/or improve the level and range of services currently available within the reorganization. A copy of this plan is included as a part of Attachment #2 to this report. Road maintenance service will continue to be provided by CSA 70 Zones R-3 and R-5 to their respective areas by contract.
11. The reorganization can benefit from the availability and extension of municipal services, as evidenced by the Plan for Service.
12. This proposal will not affect the ability of the City of Big Bear Lake to achieve its fair share of the regional housing needs since the reorganization only includes parcels/areas that will remain as public facilities.
13. With respect to environmental justice, the reorganization proposal—wherein the parcels being annexed into the City of Big Bear Lake will remain as public facilities—will not result in the unfair treatment of any person based on race, culture or income.
14. The County of San Bernardino and City of Big Bear Lake have successfully negotiated a transfer of property tax revenues that will be implemented upon completion of this reorganization. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.
15. The maps and legal descriptions as revised are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.

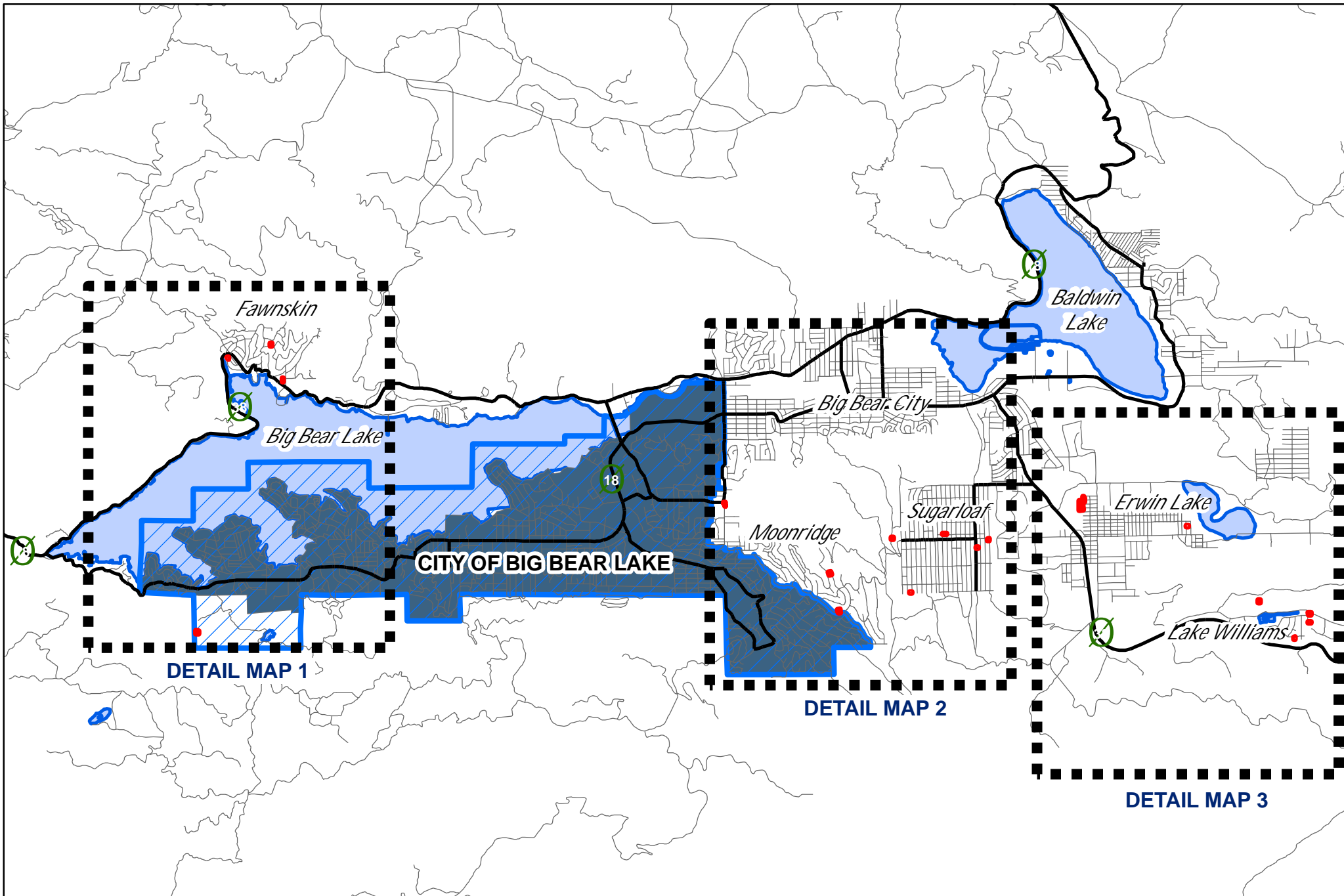
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Attachments:

1. Vicinity Maps for the Reorganization
2. City of Big Bear Lake Application and Plan for Service
3. Exemption Request from the County Special Districts Department Including Draft Contracts Between CSA 70 Zones R-3 and R-5 and the City of Big Bear Lake
4. Tom Dodson's Environmental Response for LAFCO 3196
5. Draft Resolution No. 3206

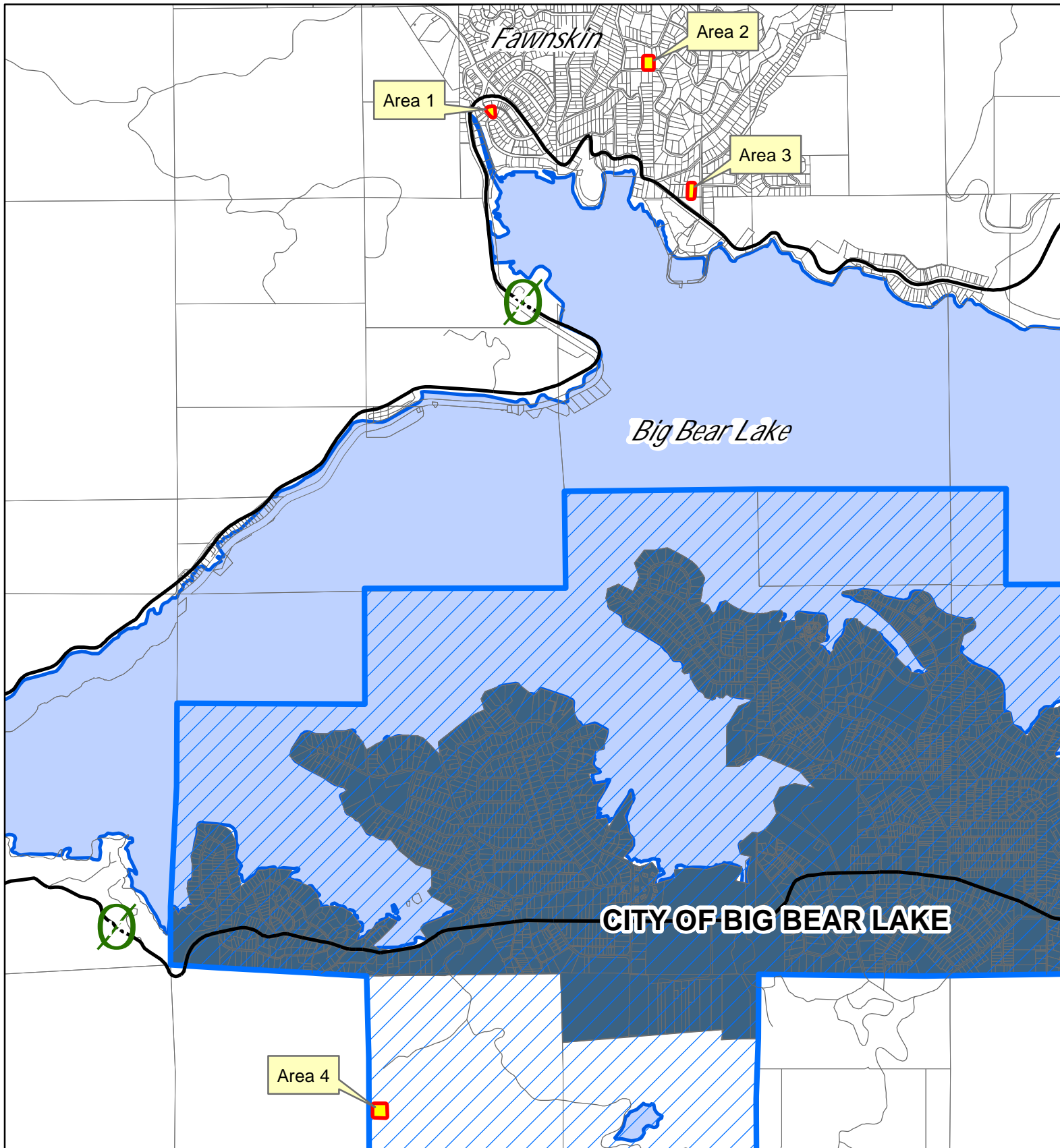
Vicinity Maps for the Reorganization

Attachment 1



LAFCO 3196 - Reorganization to Include Annexations to the City of Big Bear Lake and Detachments from County Service Area 54, County Service Area 53 and its Zones B and C; County Service Area 70 and its Zones R-3 and R-5

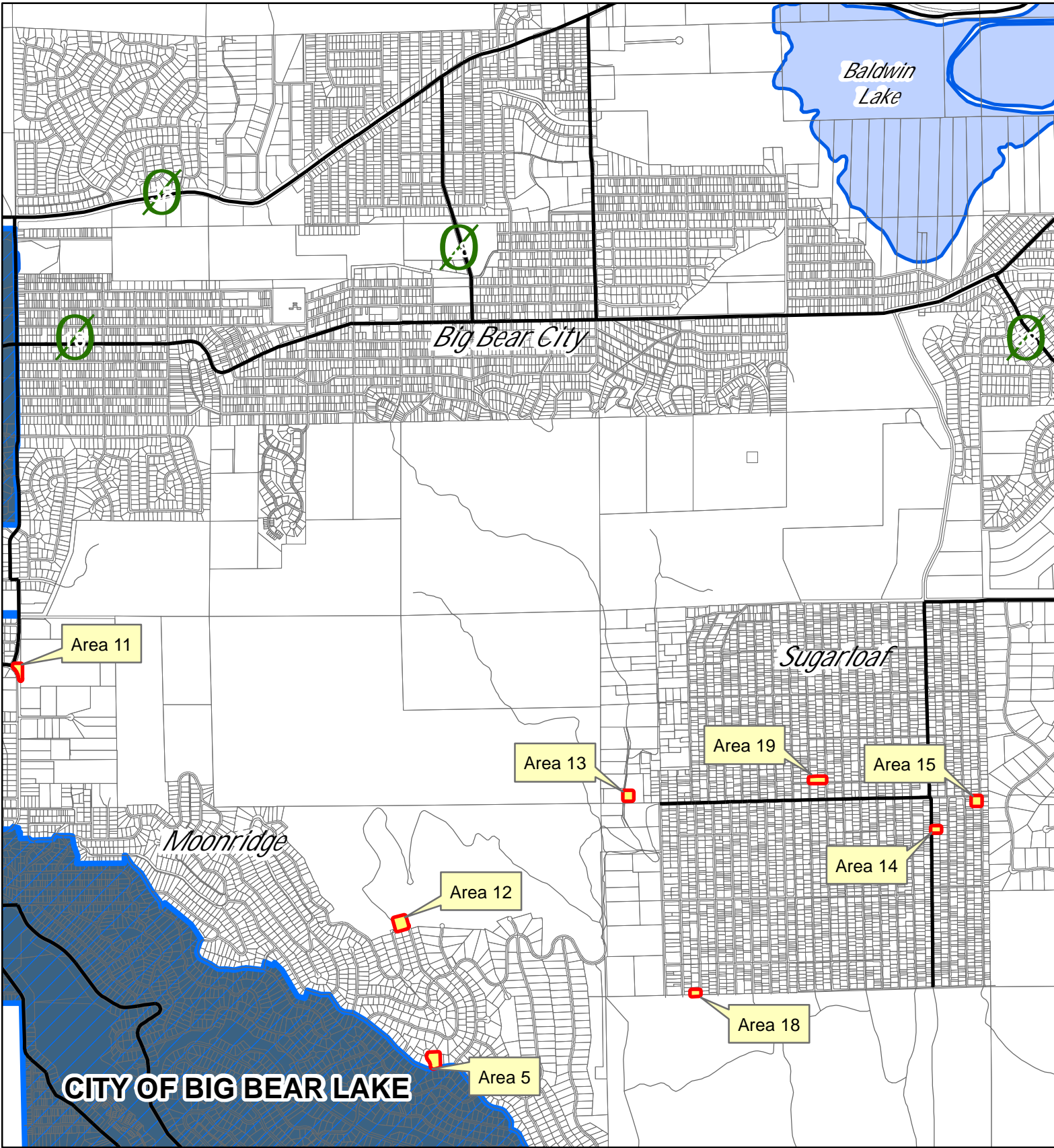
- Parcels/Areas (LAFCO 3196)
- City of Big Bear Lake Sphere
- City of Big Bear Lake



LAFCO 3196 - Reorganization to Include Annexations to the City of Big Bear Lake and Detachments from County Service Area 54, County Service Area 53 and its Zones B and C; County Service Area 70 and its Zones R-3 and R-5






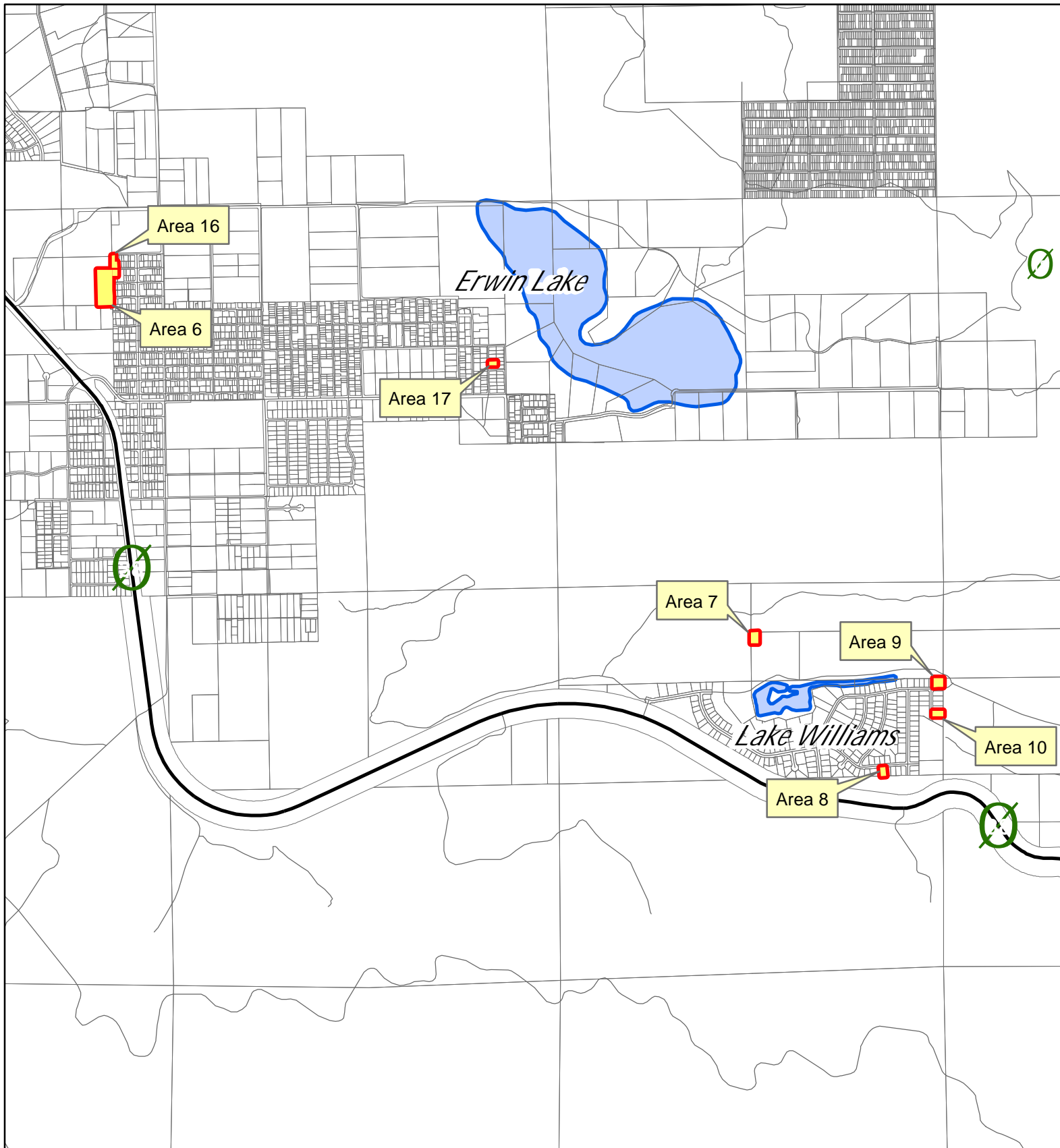
- Parcels/Areas (LAFCO 3196)
- City of Big Bear Lake Sphere
- City of Big Bear Lake



LAFCO 3196 - Reorganization to Include Annexations to the City of Big Bear Lake and Detachments from County Service Area 54, County Service Area 53 and its Zones B and C; County Service Area 70 and its Zones R-3 and R-5



-  Parcels/Areas (LAFCO 3196)
-  City of Big Bear Lake Sphere
-  City of Big Bear Lake



LAFCO 3196 - Reorganization to Include Annexations to the City of Big Bear Lake and Detachments from County Service Area 54, County Service Area 53 and its Zones B and C; County Service Area 70 and its Zones R-3 and R-5



- Parcels/Areas (LAFCO 3196)
- City of Big Bear Lake Sphere
- City of Big Bear Lake

City of Big Bear Lake Application and Plan for Service

Attachment 2

SAN BERNARDINO LAFCO APPLICATION AND PRELIMINARY ENVIRONMENTAL DESCRIPTION FORM

INTRODUCTION: The questions on this form and its supplements are designed to obtain enough data about the proposed project site to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, or attach any relevant documents.

GENERAL INFORMATION

1. NAME OF PROPOSAL: Annexation of non-contiguous parcels owned by the City of Big Bear Lake to the City of Big Bear Lake to be used for municipal purposes pursuant to California Government Code Section 56742.
2. NAME OF APPLICANT: The City of Big Bear Lake
MAILING ADDRESS: PO Box 1929
Big Bear Lake CA 92315-1929
PHONE: (909) 866-5050
FAX: (909) 866-3184
E-MAIL ADDRESS: dmcgee@bbldwp.com
3. GENERAL LOCATION OF PROPOSAL: Areas 1, 2, and 3 located in the community of Fawnskin; Areas 6, 16, and 17 located in the community of Erwin Lake; Areas 14, 15, 18, and 19 located in the community of Sugarloaf. Area 4 located in the San Bernardino National Forest, west of the City of Big Bear Lake; Areas 5, 11, and 12 located in the community of Moonridge; Areas 7, 8, 9, and 10 located in the community of Lake William; Area 13 located in Sawmill Canyon, west of the community of Sugarloaf.
4. Does the application possess 100% written consent of each landowner in the subject territory?
YES X NO ____ If YES, provide written authorization for change.
5. Indicate the reasons that the proposed action has been requested. Reduction in tax assessments that will benefit the water ratepayers.
6. Would the proposal create a totally or substantially surrounded island of unincorporated territory?
YES ____ NO X If YES, please provide a written justification for the proposed boundary configuration.

LAND USE AND DEVELOPMENT POTENTIAL

1. Total land area (defined in acres: 6.92 Acres)
2. Current dwelling units in area classified by type (Single Family detached, multi-family (duplex, four-plex, 10-unit), apartments)
NONE
3. Approximate current population in area:
Zero
4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s):
Not Applicable

San Bernardino County General Plan designation(s) and uses permitted by this designation(s):
The reorganization areas are within the County's Bear Valley Community Plan area. The County's
land use designation for the reorganization area include BV/RC (Resource Conservation; APN
0315-361-30), BV/RL-40 (Rural Living- 40 acres minimum; APN 0306-181-20), BV/RS-1 (Single
Residential-1 acre minimum; APN 2350-361-05), BV/RS-20 (Single Residential-20,000 sq. ft.
minimum; APNs 0304-175-08 & 2350-021-04), BV/RS (Single Residential; APNs 0304-205-09,
0310-731-04, 0315-231-15, 0315-406-09, 0315-411-21, 0315-416-02, 2328-422-01, 0315-071-23,
0315-072-22, 0315-175-02, 2350-403-45, 2350-522-57, 2350-614-06, & 2350-616-22), and BV/RM
(Multiple Residential; APN 0304-126-04)

5. Describe any special land use concerns expressed in the above plans. In addition, for a City Annexation or Reorganization, provide a discussion of the land use plan's consistency with the regional transportation plan as adopted pursuant to Government Code Section 65080 for the subject territory:
None

6. Indicate the existing land use. Municipal Water System Assets including but not limited to:
water well pumping plants, booster stations, potable water reservoirs, water distribution systems.

What is the proposed land use? Municipal Water System Assets including but not limited to:
water well pumping plants, booster stations, potable water reservoirs, water distribution
systems.

7. For a city annexation, State law requires pre-zoning of the territory proposed for annexation. Provide a response to the following:

- a. Has pre-zoning been completed? YES NO X
- b. If the response to "a" is NO, is the area in the process of pre-zoning? YES NO X

Identify below the pre-zoning classification, title, and densities permitted. If the pre-zoning process is underway, identify the timing for completion of the process.

Pre-zoning not required.

8. Will the proposal require public services from any agency or district which is currently operating at or near capacity (including sewer, water, police, fire, or schools)? YES ___ NO X If YES, please explain.

9. On the following list, indicate if any portion of the territory contains the following by placing a checkmark next to the item:

- | | |
|---|--|
| <input type="checkbox"/> Agricultural Land Uses | <input type="checkbox"/> Agricultural Preserve Designation |
| <input type="checkbox"/> Williamson Act Contract | <input type="checkbox"/> Area where Special Permits are Required |
| <input type="checkbox"/> Any other unusual features of the area or permits required: <u>None apply.</u> | |

10. If a Williamson Act Contract(s) exists within the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest to the contract filed with the County by the City. Please provide an outline of the City's anticipated actions with regard to this contract.

Not Applicable.

11. Provide a narrative response to the following factor of consideration as identified in §56668(o): *The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services:*

The proposed annexation creates no negative impact to the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

ENVIRONMENTAL INFORMATION

1. Provide general description of topography. Generally graded.

2. Describe any existing improvements on the site as % of total area.

Residential	_____ %	Agricultural	_____ %
Commercial	_____ %	Vacant	<u>80</u> %
Industrial	_____ %	Other	<u>20</u> %
		(Potable Water Storage Tanks)	

3. Describe the surrounding land uses:

NORTH Combination of vacant, residential, and US Forest Service Land

EAST Combination of vacant, residential, and US Forest Service Land

SOUTH Combination of vacant, residential, and US Forest Service Land

WEST Combination of vacant, residential, and US Forest Service Land

4. Describe site alterations that will be produced by improvement projects associated with this proposed action (installation of water facilities, sewer facilities, grading, flow channelization, etc.).

None

5. Will service extensions accomplished by this proposal induce growth on this site? YES ____
NO X Adjacent sites? YES ____ NO ____ Unincorporated ____ Incorporated ____

6. Are there any existing out-of-agency service contracts/agreements within the area? YES X
NO X If YES, please identify.

7. Is this project a part of a larger project or series of projects? YES ____ NO X If YES, please explain.

NOTICES

Please provide the names and addresses of persons who are to be furnished mailed notice of the hearing(s) and receive copies of the agenda and staff report.

NAME Jeff Mathieu TELEPHONE NO. 909-866-5831

ADDRESS:

City of Big Bear Lake PO Box 10000, Big Bear Lake CA 92315

NAME Reginald A. Lamson TELEPHONE NO. 909-866-5050

ADDRESS:

DWP PO Box 1929 Big Bear Lake CA 92315

NAME Danielle D. McGee TELEPHONE NO. 909-866-5050

ADDRESS:

DWP PO Box 1929 Big Bear Lake CA 92315

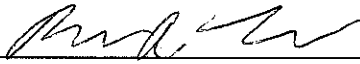
CERTIFICATION

As a part of this application, the city of Big Bear Lake, or the _____ district, _____ (the applicant) and/or the city of Big Bear Lake (real party in interest: subject landowner and/or registered voter) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I/We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

As the proponent, I/We acknowledge that annexation to the city of Big Bear Lake or the _____ district may result in the imposition of taxes, fees, and assessments existing within the (city or district) on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIID of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.

I hereby certify that the statements furnished above and in the attached supplements and exhibits present the data and information required for this initial evaluation to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE 9-30-15


SIGNATURE OF APPLICANT
REGINALD A. LAMSON
PRINTED NAME OF APPLICANT

GM
TITLE

PLEASE CHECK SUPPLEMENTAL FORMS ATTACHED:

- ☒ ANNEXATION, DETACHMENT, REORGANIZATION SUPPLEMENT
- ☐ SPHERE OF INFLUENCE CHANGE SUPPLEMENT
- ☐ CITY INCORPORATION SUPPLEMENT
- ☐ FORMATION OF A SPECIAL DISTRICT SUPPLEMENT
- ☐ ACTIVATION OR DIVESTITURE OF FUNCTIONS AND/OR SERVICES FOR SPECIAL DISTRICTS SUPPLEMENT

KRM-Rev. 8/15/2012

SUPPLEMENT ANNEXATION, DETACHMENT, REORGANIZATION PROPOSALS

INTRODUCTION: The questions on this form are designed to obtain data about the specific annexation, detachment and/or reorganization proposal to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, and/or include any relevant documents.

1. Please identify the agencies involved in the proposal by proposed action:

ANNEXED TO	AREA #	DETACHED FROM
City of Big Bear Lake	1, 2, and 3	County Service Area 70, County Service Area 54, County Service Area 53 and its zones B and C
City of Big Bear Lake	6, 16, and 17	County Service Area 70, County Service Area 70 zone R-3, County Service Area 53
City of Big Bear Lake	14, 15, 18, and 19	County Service Area 70, County Service Area 70 zone R-5, County Service Area 53
City of Big Bear Lake	4, 5, 7, 8, 9, 10, 11, 12, and 13	County Service Area 70, County Service Area 53

2. Will the territory proposed for change be subject to any new or additional special taxes, any new assessment districts, or fees?

____ NO _____

3. Will the territory be relieved of any existing special taxes, assessments, district charges or fees required by the agencies to be detached?

____ YES _____

4. Provide a description of how the proposed change will assist the annexing agency in achieving its fair share of regional housing needs as determined by SCAG.

____ Not applicable _____

5. **PLAN FOR SERVICES:**

For each item identified for a change in service provider, a narrative "Plan for Service" (required by Government Code Section 56653) must be submitted. This plan shall, at a

minimum, respond to each of the following questions and be signed and certified by an official of the annexing agency or agencies.

1. A description of the level and range of each service to be provided to the affected territory.
2. An indication of when the service can be feasibly extended to the affected territory.
3. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.
4. The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.
5. An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.
6. If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

CERTIFICATION

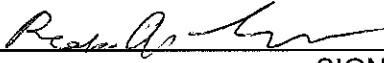
As a part of this application, the city of Big Bear Lake, or the _____ district, _____ (the applicant) and/or the _____ (real party in interest: subject landowner and/or registered voter) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I/We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

As the proponent, I/We acknowledge that annexation to the city of Big Bear Lake or the _____ district may result in the imposition of taxes, fees, and assessments existing within the (city or district) on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIID of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.

(FOR LAFCO USE ONLY)

I hereby certify that the statements furnished above and the documents attached to this form present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE 9-30-15



SIGNATURE OF APPLICANT

/REVISED: km - 8/15/2012

City of Big Bear Lake Annexation of Non-contiguous Parcels

Plan for Services LAFCO 3196

Introduction

The City of Big Bear Lake (the City) is proposing to annex 20 parcels in 19 areas, approximately 6.92 total acres, located in the County of San Bernardino that are currently owned by the City of Big Bear Lake – Department of Water and Power (the DWP) and are used to supply residential and commercial potable water. Pursuant to California Government Code 56742, the City may annex parcels that it owns outside the City's sphere of influence provided the property is used for municipal purposes. Should the City sell the parcels or cease to use the parcel for municipal purposes the annexation will be revoked. Pursuant to California Government Code 56375.5, the annexations would have no effect on the City's sphere of influence. The purpose of the reorganization is to eliminate approximately \$110,000 in annual property taxes assessed against these parcels that must be passed on to the ratepayers in the County and the City as a cost of operating the water system.

Availability of Services

All of the parcels included in the planned annexation of non-contiguous areas to the City are currently used to provide water service. The following plan for services is provided for each area, with area-specific details to follow below:

Water Service

The City of Big Bear Lake, Department of Water and Power, owns and operates water system assets which will serve the parcels planned for annexation.

Electricity

Bear Valley Electric Service (a division of Golden State Water Company) provides electric services to the parcels planned for annexation.

Sewer

No sewer services are required for the parcels planned for annexation.

Transportation

No transportation services are required for the parcels planned annexation because the parcels are uninhabited.

Lighting

No lighting services are required for the parcels planned for annexation because the parcels are uninhabited.

Schools

No schools are required for the parcels planned for annexation because the parcels are uninhabited.

Parks

No parks are required for the parcels planned for annexation because the parcels are uninhabited.

Police

The parcels are under the jurisdiction of the County Sheriff.

Area-Specific Services**Drainage**

The City of Big Bear Lake – DWP will continue to maintain the drainage facilities located on areas 1, 9, 11, 13, and 14.

Fire Services

Areas 1, 2, and 3 will be served by County Fire and its Mountain Service Zone.

Areas 4-20 are served by the Big Bear Fire Authority.

Roads

Areas 6, 16 and 17 are currently serviced by County Services Area 70 Zone R-3. A contract has been negotiated with CSA 70 Zone R-3 for on-going road services. Areas 14, 15, 18 and 19 currently receive road services from CSA 70 Zone R-5. . A contract has been negotiated with CSA 70 Zone R-5 for on-going road services. Road Services for Areas 1-13 are provided by the County.

Fiscal Impact

Upon completion of the annexation of the 19 non-contiguous areas, the DWP will be relieved of approximately \$110,000 per year in property tax assessments.

DWP will maintain the drainage facilities located on areas 1, 9, 11, 13, and 14. The facilities will be maintained by DWP staff and the annual costs for materials required for maintenance is expected to be less than five hundred dollars (\$500).

The DWP has entered into an out of area service agreement with CSA 70 for the maintenance of roads fronting areas 6, 16 and 17. The annual fee charged by CSA 70 for these three parcels is fifty nine dollar and seventy five cents (\$59.75) per parcel plus twenty percent overhead, in total two hundred fifteen dollars and ten cents (\$215.10) per year. The contract provides that an inflation adjustment of 2.5% per year.

The DWP has also entered into an out of area service agreement with CSA 70 for the maintenance of roads fronting areas 14, 15, 18 and 19. The annual fee charged by CSA 70 for these four parcels is seventy two dollars and twelve cents (\$72.12) base fee per parcel plus twenty percent overhead, in total is three hundred forty six dollar and eighteen cents (\$346.18). The contract provides that an inflation adjustment of 2.5% per year.

All costs associated with the annexation and maintaining on-going services for the areas annexed will be paid from the DWP's Revenue Fund.

The City of Big Bear Lake will receive a property tax reallocation of one hundred sixteen dollars (\$116). The tables on the following page outline the expected costs, costs savings, revenue reallocations, sources of funding that will result from the planned annexation:

	Cost Impact by Year				
Area/Purpose	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
1/Drainage	\$100	\$100	\$100	\$100	\$100
2	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs
3	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs
4	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs
5	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs
6/Roads	\$72	\$73	\$75	\$77	\$79
7	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs
8	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs
9/Drainage	\$100	\$100	\$100	\$100	\$100
10	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs
11/Drainage	\$100	\$100	\$100	\$100	\$100
12	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs	No Recurring Costs
13/Drainage	\$100	\$100	\$100	\$100	\$100
14/Drainage	\$100	\$100	\$100	\$100	\$100
/Roads	\$87	\$89	\$91	\$93	\$96
15/Roads	\$87	\$89	\$91	\$93	\$96
16/Roads	\$72	\$73	\$75	\$77	\$79
17/Roads	\$72	\$73	\$75	\$77	\$79
18/Roads	\$87	\$89	\$91	\$93	\$96
19/Roads	\$87	\$89	\$91	\$93	\$96
Property Tax Savings - DWP	(\$110,000)				
Change in Costs	(\$108,936)	\$1,075	\$1,089	\$1,103	\$1,121

	Revenue Impact by Year				
Property Tax Reallocation – City of Big Bear Lake	\$116	\$116	\$116	\$116	\$116

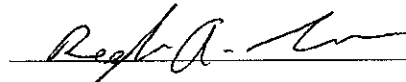
CERTIFICATION

As a part of this application, the city of Big Bear Lake, or the _____ district, _____ (the applicant) and/or the _____ (real party in interest: subject landowner and/or registered voter) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I/We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

As the proponent, I/We acknowledge that annexation to the city of Big Bear Lake or the _____ district may result in the imposition of taxes, fees, and assessments existing within the (city or district) on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIC and XIID of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.

I hereby certify that the statements furnished above and the documents attached to this form present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE 10-12-15


SIGNATURE OF APPLICANT

**Exemption Request from the County
Special Districts Department Including
Draft Contracts Between CSA 70 Zones R-3
and R-5 and the City of Big Bear Lake**

Attachment 3



Special Districts Department

Jeffrey O. Rigney
Director

October 5, 2015

Kathleen Rollings-McDonald, Executive Officer
Local Agency Formation Commission
215 North D Street, Suite 204
San Bernardino, CA 92415-0490

RE: Agreement between the County Service Area 70 R3 and R5, and the City of Big Bear Lake – DWP (LAFCO 3196)

Dear Ms. Rollings-McDonald:

County Service Area 70, Zones R-3 (Erwin Lake) and R-5 (Sugarloaf) (CSA 70 R3 & R5) currently provide road maintenance services to seven lots owned by the City of Big Bear Lake that are located in Erwin Lake and Sugarloaf. The City of Big Bear Lake is annexing these parcels into the City, at which time the City would be responsible for providing road maintenance services. Since the City of Big Bear Lake cannot economically provide road maintenance services to these lots, they have requested CSA 70 R3 and R5 enter into an agreement with the City of Big Bear Lake to continue to provide these services.

On September 28, 2015, the City of Big Bear Lake's City Council approved the two agreements (attached), which are scheduled to go to the Board of Supervisors on October 20, 2015. These agreements would allow CSA 70 R3 & R5 to provide road maintenance services to the proposed seven annexed City owned lots. Since CSA 70 R3 & R5 will be providing service outside of their jurisdictional boundaries, CSA 70 R3 & R5 are respectfully requesting that LAFCO consider an exemption from the provisions of Government Code Section 56133 as authorized by subsection (e) because the attached agreements for road maintenance services between CSA 70 R3 & R5 and the City of Big Bear Lake - DWP are solely between two public agencies and the level of service will remain the same.

If you have any questions, please contact me at 387-5967.

Sincerely,



Jeff Rigney
Director

cc: Jeff Mathieu, City of Big Bear Lake
Reginald A. Lamson, City of Big Bear Lake - DWP

BOARD OF SUPERVISORS

ROBERT A. LOVINGOOD
First District

JANICE RUTHERFORD
Chair, Second District

JAMES RAMOS
Third District

GARY C. OVITT
Vice Chair, Fourth District

JOSIE GONZALES
Fifth District

GREGORY C. DEVEREAUX
Chief Executive Officer

OUTSIDE SERVICE AGREEMENT FOR ROAD MAINTENANCE SERVICES

This Out-of-Service Agreement for Road Maintenance Services ("Agreement") is executed this _____ day of _____, 2015, by and between the City of Big Bear Lake on behalf of its Department of Water and Power ("DWP") and San Bernardino County Service Area 70 Zone R-3 (Erwin Lake) ("CSA 70 R-3"), as follows:

RECITALS

A. The DWP is a department of the City of Big Bear Lake, a municipality of the State of California governed by its own charter. The charter for the City of Big Bear Lake provides the DWP with the power and duty to operate and maintain works and property for the purpose of supplying its inhabitants with water, and to hold in the name of the City any and all property within and without the City that may be necessary or convenient for such purpose.

B. CSA 70 is a county service area formed by the County of San Bernardino, California, for the purpose of providing road maintenance services within portions of the County, including one zone therein identified as CSA 70 R-3.

C. The DWP operates water facilities and owns parcels of real property located outside the City limits of the City of Big Bear Lake, including three parcels within CSA 70 R-3, which receive road maintenance services.

D. The DWP has filed applications with the Local Agency Formation Commission for San Bernardino County ("LAFCO") to annex the CSA 70 R-3 parcels into the City of Big Bear Lake. Annexation of these parcels into the City of Big Bear Lake will require concurrent detachment of the parcels from CSA 70. The DWP wishes to continue receiving road maintenance services from CSA 70 R-3 Parcels, following detachment from CSA 70. CSA 70 R-3 has agreed to provide such services for the compensation and pursuant to the terms hereinafter set forth.

TERMS

1. Road Maintenance Services. Following detachment of the CSA 70 R-3 Parcels from CSA 70, CSA 70 R-3 agrees to continue to provide annual road maintenance services for those parcels in the same manner and to the same extent that such services would be provided if the CSA 70 R-3 Parcels remained within CSA 70, for the term of this Agreement.

2. Compensation and Source of Payment for Financial Obligations. As compensation for the services provided to the four parcels located in CSA 70 R-3, DWP will pay to CSA 70 R-3 an annual special tax of fifty nine dollars and seventy five cents (\$59.75) per parcel plus an additional twenty percent (20%) administration fee. Special taxes may be adjusted annually at a rate of two and one half percent (2½%) per year. If at any time the existing annual amount levied on the private properties within CSA 70 R-3 increases or if there is a new charge levied, the amount charged to DWP will be adjusted to reflect these changes. Such payments will be made from the DWP's Water Revenue Fund; and any and all financial obligations and responsibilities of the City or the DWP under this Agreement shall be satisfied from the DWP's Water Revenue Fund or insurance coverage, as applicable, and not from the City's General Fund.

3. Payment. CSA 70 R-3 will invoice the DWP for services provided to the CSA 70 R-3 Parcels at the same time that the County Assessor for the County of San Bernardino sends tax invoices to the property owners within CSA 70 R-3 for payment of the special taxes levied on behalf of CSA 70 within CSA 70 R-3. Upon receipt of invoices, the DWP shall have 30 days to pay the amount due. Amounts not paid when due shall become delinquent. Delinquent amounts shall earn interest at the rate of 8% per annum, until paid.

4. Term. The term of this Agreement shall commence upon the effective date of this Agreement, and shall continue in perpetuity or until such time that CSA 70 R-3 is dissolved.

5. Disputes. Should a dispute arise regarding the interpretation, application or enforcement of this Agreement, the parties hereto agree to meet and utilize good faith efforts to resolve the dispute amicably, through negotiated settlement. In the event that such efforts are unsuccessful and legal action on this Agreement is initiated by either party against the other, each party, regardless of whether a party is the prevailing party in such action, shall bear its own costs and attorneys' fees.

6. CSA 70 R-3 agrees to indemnify, defend (with counsel reasonably approved by DWP) and hold harmless DWP and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of this Agreement from any cause whatsoever, including CSA 70 R-3 acts, errors or omissions of any person and for any costs or expenses incurred by DWP on account of any claim except where such indemnification is prohibited by law. This indemnification provision shall apply regardless of the existence or degree of fault of indemnitees. CSA 70 R-3 indemnification obligation applies to DWP's "active" as well as "passive" negligence but does not apply to DWP's "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.

DWP agrees to indemnify, defend (with counsel reasonably approved by CSA 70 R-3) and hold harmless CSA 70 R-3 and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of this Agreement from any cause whatsoever, including DWP's acts, errors or omissions of any person and for any costs or expenses incurred by CSA 70 R-3 on account of any claim except where such indemnification is prohibited by law. This indemnification provision shall apply regardless of the existence or degree of fault of indemnitees. DWP's indemnification obligation applies to CSA 70 R-3 "active" as well as "passive" negligence but does not apply to CSA 70 R-3 "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.

In the event the both parties are found to be comparatively at fault for any claim, action, loss or damage which results from their respective obligations under the Agreement, the parties shall indemnify the other to the extent of its comparative fault. In the event of litigation arising from this Agreement, each party to the Agreement shall bear its own costs, including attorney fees.

7. CSA 70 R-3 and DWP are authorized self-insured public entities for purposes of Professional Liability, General Liability, Automobile Liability and Workers' Compensation and warrant that through their respective programs of self-insurance, they have adequate coverage or resources to protect against liabilities arising out of the performance of the terms, conditions or obligations of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement on the date set forth above.

BOARD GOVERNED COUNTY SERVICE AREA 70 R-3

►

James Ramos, Board Chairman

Dated: _____

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS
BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Laura H. Welch, Clerk of the Board

By _____
Deputy

CITY OF BIG BEAR LAKE

By _____
Jeff Mathieu
City Manager

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

OUTSIDE SERVICE AGREEMENT FOR ROAD MAINTENANCE SERVICES

This Out-of-Service Agreement for Road Maintenance Services ("Agreement") is executed this 17 day of November, 2015, by and between the City of Big Bear Lake on behalf of its Department of Water and Power ("DWP") and San Bernardino County Service Area 70 Zone R-5 (Sugarloaf) ("CSA 70 R-5"), as follows:

RECITALS

A. The DWP is a department of the City of Big Bear Lake, a municipality of the State of California governed by its own charter. The charter for the City of Big Bear Lake provides the DWP with the power and duty to operate and maintain works and property for the purpose of supplying its inhabitants with water, and to hold in the name of the City any and all property within and without the City that may be necessary or convenient for such purpose.

B. CSA 70 is a county service area formed by the County of San Bernardino, California, for the purpose of providing road maintenance services within portions of the County, including one zone therein identified as CSA 70 R-5.

C. The DWP operates water facilities and owns parcels of real property located outside the City limits of the City of Big Bear Lake, including four parcels within CSA 70 R-5, which receive road maintenance services.

D. The DWP has filed applications with the Local Agency Formation Commission for San Bernardino County to annex the CSA 70 R-5 parcels into the City of Big Bear Lake. Annexation of these parcels into the City of Big Bear Lake will require concurrent detachment of the parcels from CSA 70. The DWP wishes to continue receiving road maintenance services from CSA 70 R-5 Parcels, following detachment from CSA 70. CSA 70 R-5 has agreed to provide such services for the compensation and pursuant to the terms hereinafter set forth.

TERMS

1. Road Maintenance Services. Following detachment of the CSA 70 R-5 Parcels from CSA 70, CSA 70 R-5 agrees to continue to provide annual road maintenance services for those parcels in the same manner and to the same extent that such services would be provided if the CSA 70 R-5 parcels remained within CSA 70, for the term of this Agreement.

2. Compensation and Source of Payment for Financial Obligations. As compensation for the services provided to the four parcels located in CSA 70 R-5, DWP will pay to CSA 70 R-5 an annual special tax of seventy three dollars and twelve cents (\$73.12) per parcel plus an additional twenty percent (20%) administration fee. Special taxes may be adjusted annually at a rate of two and one half percent (2½%) per year. If at any time the existing annual amount levied on the private properties within CSA 70 R-5 increases or if there is a new charge levied, the amount charged to DWP will be adjusted to reflect these changes. Such payments will be made from the DWP's Water Revenue Fund; and any and all financial obligations and responsibilities of the City or the DWP under this Agreement shall be satisfied from the DWP's Water Revenue Fund or insurance coverage, as applicable, and not from the City's General Fund.

3. Payment. CSA 70 R-5 will invoice the DWP for services provided to the CSA 70 R-5 Parcels at the same time that the County Assessor for the County of San Bernardino sends

tax invoices to the property owners within Zone R-5 for payment of the special taxes levied on behalf of CSA 70 within CSA 70 R-5. Upon receipt of invoices, the DWP shall have 30 days to pay the amount due. Amounts not paid when due shall become delinquent. Delinquent amounts shall earn interest at the rate of 8% per annum, until paid.

4. Term. The term of this Agreement shall commence upon the effective date of this Agreement and shall continue in perpetuity or until such time that CSA 70 R-5 is dissolved.

5. Disputes. Should a dispute arise regarding the interpretation, application or enforcement of this Agreement, the parties hereto agree to meet and utilize good faith efforts to resolve the dispute amicably, through negotiated settlement. In the event that such efforts are unsuccessful and legal action on this Agreement is initiated by either party against the other, each party, regardless of whether a party is the prevailing party in such action, shall bear its own costs and attorneys' fees.

6. CSA 70 R-5 agrees to indemnify, defend (with counsel reasonably approved by DWP) and hold harmless DWP and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of this Agreement from any cause whatsoever, including CSA 70 R-5 acts, errors or omissions of any person and for any costs or expenses incurred by DWP on account of any claim except where such indemnification is prohibited by law. This indemnification provision shall apply regardless of the existence or degree of fault of indemnitees. CSA 70 R-5 indemnification obligation applies to DWP's "active" as well as "passive" negligence but does not apply to DWP's "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.

DWP agrees to indemnify, defend (with counsel reasonably approved by CSA 70 R-5) and hold harmless CSA 70 R-5 and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of this Agreement from any cause whatsoever, including DWP's acts, errors or omissions of any person and for any costs or expenses incurred by CSA 70 R-5 on account of any claim except where such indemnification is prohibited by law. This indemnification provision shall apply regardless of the existence or degree of fault of indemnitees. DWP's indemnification obligation applies to CSA 70 R-5 "active" as well as "passive" negligence but does not apply to CSA 70 R-5 "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.

In the event the both parties are found to be comparatively at fault for any claim, action, loss or damage which results from their respective obligations under the Agreement, the parties shall indemnify the other to the extent of its comparative fault. In the event of litigation arising from this Agreement, each party to the Agreement shall bear its own costs, including attorney fees.

7. CSA 70 R-5 and DWP are authorized self-insured public entities for purposes of Professional Liability, General Liability, Automobile Liability and Workers' Compensation and warrant that through their respective programs of self-insurance, they have adequate coverage or resources to protect against liabilities arising out of the performance of the terms, conditions or obligations of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement on the date set forth above.

BOARD GOVERNED COUNTY SERVICE AREA 70 R-5



James Ramos, Board Chairman

Dated: _____

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS
BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Laura H. Welch, Clerk of the Board

By _____
Deputy

CITY OF BIG BEAR LAKE

By _____
Jeff Mathieu
City Manager

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

**Tom Dodson's Environmental
Response for LAFCO 3196**

Attachment 4

TOM DODSON & ASSOCIATES
2150 N. ARROWHEAD AVENUE
SAN BERNARDINO, CA 92405
TEL (909) 882-3612 • FAX (909) 882-7015
E-MAIL tda@tdaenv.com



October 5, 2015

Ms. Kathleen Rollings-McDonald
Local Agency Formation Commission
215 North "D" Street, Suite 204
San Bernardino, CA 92415-0490

Dear Kathy:

LAFCO 3196 consists of a request by the City of Big Bear Lake (Department of Water and Power, DWP) to reorganize (annex and detach) approximately 6.95 acres in the Bear Valley. The City would annex several parcel that are owned by the City to support the DWP and detach these parcels from County Service Area 53 and its Zones B and C, County Service Area 54, and County Service Area 70 and its Zones R-3 and R-5 (non-contiguous municipally owned parcels).

The reorganization area includes three parcels located in the unincorporated community of Fawnskin; a parcel generally located southwest of the City of Big Bear Lake; three parcels located in the unincorporated Moonridge area; four parcels located in the Lake Williams area; five parcels generally located in and around the unincorporated community of Sugarloaf; and four parcels generally located in the Erwin Lake area. A total of 20 parcels are proposed for reorganization that comprises a total of 19 separate areas (with one area having two adjacent parcels). The areas vary in size, between 5,000 and 101,916 square feet, totaling approximately 6.95 acres.

Based on the above proposal, it appears that the proposed reorganization would simply transfer jurisdiction from County agencies to the City of Big Bear Lake. No proposals for any development or any physical modification on any of the parcels has been identified. In the future, if any modifications to the parcels is proposed, the City of Big Bear Lake would assume responsibility to complying with the California Environmental Quality Act. Thus, the approval of LAFCO 3196 does not appear to have any potential to significantly alter the existing physical environment in any manner.

Therefore, I recommend that the Commission find that a Statutory Exemption, as defined in CEQA under Section 15061 (b) (3) of the State CEQA Guidelines, applies to LAFCO 3196. This Section states: "*A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.*" It is my opinion and recommendation to the Commission that this circumstance applies to LAFCO 3196.

Based on this review of LAFCO 3196 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that this proposed LAFCO action does not constitute a project under CEQA and adoption of the Statutory Exemption and filing of a Notice of Exemption is the most appropriate environmental determination to comply with CEQA for this action. The Commission can approve the review and findings for this action and I recommend that you notice LAFCO 3196 as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline sections cited above. The Commission needs to file a Notice of Exemption with the County Clerk to the Board for this action once the hearing is completed and assuming LAFCO 3196 is approved.

A copy of this exemption recommendation should be retained in LAFCO's project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in black ink that reads "Tom Dodson". The signature is written in a cursive, slightly slanted style.

Tom Dodson

Draft Resolution No. 3206

Attachment 5

PROPOSAL NO.: LAFCO 3196

HEARING DATE: OCTOBER 21, 2015

RESOLUTION NO. 3206

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3196 AND APPROVING THE REORGANIZATION TO INCLUDE CITY OF BIG BEAR LAKE ANNEXATIONS AND DETACHMENTS FROM COUNTY SERVICE AREA 53 AND ITS ZONES B AND C, COUNTY SERVICE AREA 54, AND COUNTY SERVICE AREA 70 AND ITS ZONES R-3 AND R-5 (NON-CONTIGUOUS MUNICIPALLY-OWNED PARCELS). The reorganization includes 19 separate areas encompassing a total of approximately 6.95 acres of non-contiguous, municipally-owned parcels throughout the unincorporated Bear Valley community including three parcels located in the community of Fawnskin, a parcel generally located southwest of the City of Big Bear Lake, three parcels located in the Moonridge area, four parcels located in the Lake Williams area, five parcels generally located in and around the unincorporated community of Sugarloaf, and four parcels generally located in and around Erwin Lake.

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

WHEREAS, an application for the proposed reorganization in the County of San Bernardino was filed with the Executive Officer of this Local Agency Formation Commission (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.), and the Executive Officer has examined the application and executed her certificate in accordance with law, determining and certifying that the filings are sufficient; and,

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

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

WHEREAS, the public hearing by this Commission was called for October 21, 2015 at the time and place specified in the notice of public hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written support and/or opposition; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether

RESOLUTION NO. 3206

the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing.

NOW, THEREFORE, BE IT RESOLVED, that the Commission does hereby determine, find, resolve, and order as follows:

DETERMINATIONS:

SECTION 1. The proposal is approved subject to the terms and conditions hereinafter specified:

CONDITIONS:

Condition No. 1. The boundaries of this change of organization are approved as set forth in Exhibits "A", "A-1", "B", "B-1", "C", "C-1", "D", and "D-1" attached;

Condition No. 2. The following distinctive short-form designation shall be used through this proceeding: LAFCO 3196;

Condition No. 3. All previously authorized charges, fees, assessments, and/or taxes currently in effect by the City of Big Bear Lake (annexing agency) shall be assumed by the annexing territory in the same manner as provided in the original authorization pursuant to Government Code Section 56886(t).

Condition No. 4. The City of Big Bear Lake shall indemnify, defend, and hold harmless the Local Agency Formation Commission for San Bernardino County from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

Condition No. 5. Pursuant to Government Code Section 56886.1, public utilities, as defined in Section 216 of the Public Utilities Code, have ninety (90) days following the recording of the Certificate of Completion to make the necessary changes to impacted utility customer accounts.

Condition No. 6. The date of issuance of the Certificate of Completion shall be the effective date of this reorganization.

SECTION 2. The Commission determines that:

- a) this proposal is certified to be legally uninhabited;
- b) it has 100 % landowner consent; and,
- c) no written opposition to a waiver of protest proceedings has been submitted by any subject agency.

Therefore, the Commission does hereby waive the protest proceedings for this action as permitted by Government Code Section 56663(c).

RESOLUTION NO. 3206

SECTION 3. DETERMINATIONS. The following determinations are noted in conformance with Commission policy and Government Code Section 56668:

1. The reorganization proposal is legally uninhabited, containing no registered voter within any of the 19 areas.
2. The County Assessor's Office has determined that the total assessed value of land within the reorganization area is \$211,746 as of August 6, 2015.
3. The areas being annexed through this reorganization proposal are not within the sphere of influence assigned the City of Big Bear Lake. However, the municipally-owned parcels are being annexed into the City through the non-contiguous annexation process pursuant to Government Code Section 56072; therefore, the provision regarding sphere consistency for annexation does not apply.
4. Commission consideration of this proposal has been advertised in *The Big Bear Grizzly*, a newspaper of general circulation within the reorganization area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notice.
5. In compliance with Commission policy and Government Code Section 56157, the Notice of Hearing for this proposal was provided by publication in *The Big Bear Grizzly* as an 1/8th page legal ad. Comments from registered voters and landowners and any affected local agency in support or opposition have been reviewed and considered by the Commission in making its determination.
6. The City of Big Bear Lake will designate all the areas being annexed into the City as Public Facilities (P) through a General Plan Amendment following completion of the annexation process. Pre-zoning was not a requirement as allowed under Government Code Section 56375(a)(7) as the properties are already developed.
7. The Southern California Associated Governments (SCAG) adopted its 2012-2035 Regional Transportation Plan and Sustainable Communities Strategy pursuant to Government Code Section 65080. LAFCO 3196 has no direct impact on SCAG's Regional Transportation Plan.
8. The Local Agency Formation Commission has determined that this proposal is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that the proposal has no potential to cause any adverse effect on the environment since no development and/or physical modification is proposed on any of the parcels being annexed. The Commission certifies it has reviewed and considered the environmental recommendation and finds that, without any identifiable physical changes, this proposal does not constitute a project and is not subject to environmental review under the provisions of the State CEQA Guidelines Section 15061(b)(3).

The Commission adopted the Statutory Exemption and directed its Executive Officer to file a Notice of Exemption within five (5) days with the San Bernardino County Clerk of the Board of Supervisors.

RESOLUTION NO. 3206

9. The areas within the reorganization are served by the following local agencies: County of San Bernardino, Inland Empire Resource Conservation District, Bear Valley Community Healthcare District, Big Bear Airport District, Big Bear Municipal Water District, Big Bear Valley Park and Recreation District, Big Bear City Community Services District (portion), San Bernardino County Fire Protection District and its Mountain Service Zone (portion), CSA 53, CSA 53 Zones B and C (portion), CSA 70, and CSA 70 Zones R-3 and R-5 (portion).

County Service Area 53 and its Zones B and C along with County Service Area 70 and its Zones R-3 and R-5 will be detached as a function of this reorganization. None of the other agencies are affected by this proposal as they are regional in nature.

10. The City of Big Bear Lake submitted a plan for services as required by law. The Plan for Service has been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The Commission finds that such Plan for Service submitted conform to those adopted standards and requirements and show that the level of service will be maintained following annexation.

Road maintenance service will continue to be provided by CSA 70 Zones R-3 and R-5 to their respective areas by contract in order to assure continuity.

11. The reorganization proposal is in compliance with Commission policies and would be for the benefit of the water ratepayers for the City's Department of Water and Power. Annexing these municipally-owned parcels would relieve the City of a recurring annual property tax obligation of approximately \$110,000.
12. This proposal will not affect the ability of the City of Big Bear Lake to achieve its fair share of the regional housing needs since the reorganization only includes areas that will remain as public facilities.
13. With respect to environmental justice, the reorganization proposal—wherein the parcels being annexed into the City of Big Bear Lake will remain as public facilities—will not result in the unfair treatment of any person based on race, culture or income.
14. The County of San Bernardino and City of Big Bear Lake have successfully negotiated a transfer of ad valorem taxes as required by State law. Copies of the resolutions adopted by the San Bernardino county board of Supervisors and the City Council of the City of Big Bear Lake are on file in the LAFCO office outlining the exchange of revenues.
15. The maps and legal descriptions, as revised, are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.

SECTION 4. The reason for this reorganization is to relieve the City of Big Bear Lake of a recurring annual property tax obligation of approximately \$110,000, which is a significant savings that would benefit the water ratepayers of its Department of Water and Power.

SECTION 5. The affected territory shall not be taxed for existing bonded indebtedness or contractual obligations of the City of Big Bear Lake through the reorganization. The regular

RESOLUTION NO. 3206

County assessment rolls are utilized by the City Big Bear Lake.

SECTION 6. Approval by the Local Agency Formation Commission indicates that completion of this proposal would accomplish the proposed change of organization in a reasonable manner with a maximum chance of success and a minimum disruption of service to the functions of other local agencies in the area.

SECTION 7. The Commission hereby orders the territory described in Exhibits “A”, “A-1”, “B”, “B-1”, “C”, “C-1”, “D”, and “D-1” reorganized. The Commission hereby directs, that following completion of the reconsideration period specified by Government Code Section 56895(b), the Executive Officer shall prepare and file a Certificate of Completion, as required by Government Code Section 57176 through 57203, and a Statement of Boundary Change, as required by Government Code Section 57204.

SECTION 8. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution in the manner provided by Section 56882 of the Government Code.

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

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

* * * * *

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

I, KATHLEEN ROLLINGS-MCDONALD, Executive Officer of the Local Agency Formation Commission for San Bernardino County, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission by vote of the members present as the same appears in the Official Minutes of said Commission at its regular meeting of October 21, 2015.

DATED:

KATHLEEN ROLLINGS-MCDONALD
Executive Officer

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North "D" Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-mail: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 14, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #6 – LAFCO 3173 – Sphere of Influence Amendment for the
San Bernardino Valley Water Conservation District

RECOMMENDATION:

LAFCO staff recommends that the Commission take the following actions:

1. For environmental review, certify that LAFCO 3173 is statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five (5) days.
2. Approve the sphere of influence expansion for the San Bernardino Valley Water Conservation District to encompass the jurisdictional boundary of the San Bernardino Valley Municipal Water District within San Bernardino County along with additional surrounding areas to clarify the water basin boundary and the use of parcel lines to define the area.
3. Affirm the description of the functions and services for San Bernardino Valley Water Conservation District as identified in the *LAFCO Policy and Procedure Manual, Section VI, Chapter 3: Listing of Special Districts within San Bernardino LAFCO Purview - Authorized Functions and Services*.
4. Adopt LAFCO Resolution No. 3204 reflecting the Commission's findings and determinations.

However, should the Commission determine to approve a different option identified in this report for the sphere of influence or one provided at the hearing, it would need to take the following actions:

1. For environmental review, certify that LAFCO 3173 is statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five (5) days;

2. Identify the option to be chosen and the factors to support the option;
3. Affirm the description of the functions and services for San Bernardino Valley Water Conservation District as identified in the *LAFCO Policy and Procedure Manual, Section VI, Chapter 3: Listing of Special Districts within San Bernardino LAFCO Purview - Authorized Functions and Services*; and,
4. Continue the adoption of the resolution reflecting the Commission's findings and determinations to the November 18, 2015 hearing.

BACKGROUND

In November 2013, San Bernardino Valley Water Conservation District (hereafter shown as "SB Valley WCD" or "District") initiated an application requesting expansion of its sphere of influence from a zero sphere designation to one that returns it previous sphere of influence which included the district area and extending beyond its boundary to include territory along the Santa Ana River easterly of the I-10/I-215 interchange (copy included as Attachment #2 to this report). As the Commission will recall, in March 2006 it approved a "zero" sphere of influence for SB Valley WCD (LAFCO 2919). LAFCO's position at that time was that a single water conservation entity should address the water conservation services in the Bunker Hill Groundwater Basin, and therefore SB Valley WCD should be consolidated with the San Bernardino Valley Municipal Water District (hereafter shown "MUNI") in the future (the San Bernardino County Flood Control District declined to be a named potential successor). The "zero" sphere was determined by LAFCO to be "...subject to review and change in the event a future significant change of circumstances so warrants." Following that determination in July 2009, a proposed consolidation of SB Valley WCD and MUNI (LAFCO 3076) was considered and ultimately denied by LAFCO on a 4-3 vote based upon three determinations:

1. It could not be determined that the public service costs of the proposal is authorizing are likely to be less than, or substantially similar to, the costs of alternative means of providing the service.
2. Mining royalties and contractual lease payments which would be transferred to the successor agency are a volatile source of revenue subject to the fluctuations of the economy.
3. Consolidation would put together incompatible groundwater functions, i.e. conservation and groundwater recharge with the sale of state project water, and would have the potential for loss of local control of water resources within the basin.

With the consent of SB Valley WCD, the sphere amendment application was placed on hold to allow for the completion of the service review cycle for water conservation in the valley region. In May 2015, the Commission considered the service review for Water Conservation in the Valley Region (included as Attachment #3). As an outgrowth of the service review, the Commission modified LAFCO 3173 to include the analysis of the following alternatives for consideration:

- Expand the SB Valley WCD sphere of influence to be coterminous with the sphere of influence of MUNI,
- Include the whole of the Bunker Hill Basin, or
- Expand the sphere of influence from its current zero sphere designation to include the District's boundary plus an additional 1,973 acres within the Santa Ana River course.

Recent Groundwater Legislation

As discussed in the May 2015 Water Conservation Service Review, in response to the recent groundwater legislation to form groundwater sustainability agencies (GSAs) by June 1, 2017, and as an alternative to another effort toward consolidation of the SB Valley WCD, the SB Valley WCD, MUNI, and the East Valley Water District ("East Valley WD") submitted a joint letter signed by the respective general managers on the possible formation of a Regional Sustainable Groundwater Management Council (letter dated July 9, 2015 included as a part of Attachment #4 to this report). The concept has been vetted with each agency board to be included in the Council along with the draft Memorandum of Understanding for the Development of a Groundwater Sustainability Council Framework Agreement. It has been conveyed to staff that there appears to be a universal intent to move forward with development of the framework.

It is staff's understanding that the Groundwater Sustainability Council, should it be implemented through adoption and signing of the follow-up agreement, would propose to provide for the equitable funding of groundwater recharge for each basin covered by the Council. The Council's purpose will in no way change the existing authority of the elected city councils and special district boards of directors that make up the Council. These governmental structures will fully retain their legislative authority to set rates, appropriate funds, etc. The Council, made up of general managers or equivalent staff representatives, will perform the scientific studies to determine the water supply and funding needs and then develop recommendations for their respective boards. While the Council does not achieve the full range of economies of scale available in a consolidation, the formation of this Council would in essence be a functional consolidation through an anticipated equalizing of groundwater extraction charges and cooperation on development of infrastructure needs, an effort that this Commission has historically supported.

Of note, the formation of the Council does not require LAFCO approval except in the instance of service being provided outside an agency's boundaries. Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. In this scenario, if the SB Valley WCD is intended to perform conservation education or other activities outside its boundaries, it would need to submit an application to LAFCO requesting either approval or exemption from Section 56133.

The following discussion will evaluate the proposal against the mandatory criteria the Commission is required to review as set forth in Government Code Section 56425.

SPHERE OF INFLUENCE AMENDMENT

A sphere of influence is defined by Government Code Section 56076 as “a plan for the probable physical boundaries and service area of a local agency as determined by the Commission”. This Commission in its policies related to assignment of a sphere of influence has indicated the purpose is “to encourage economical use and extension of facilities by assisting governmental agencies in planning the logical and economical extension of governmental facilities and services, thereby avoiding duplication of services” and “to promote coordination of cooperative planning efforts”.

At this hearing the Commission will:

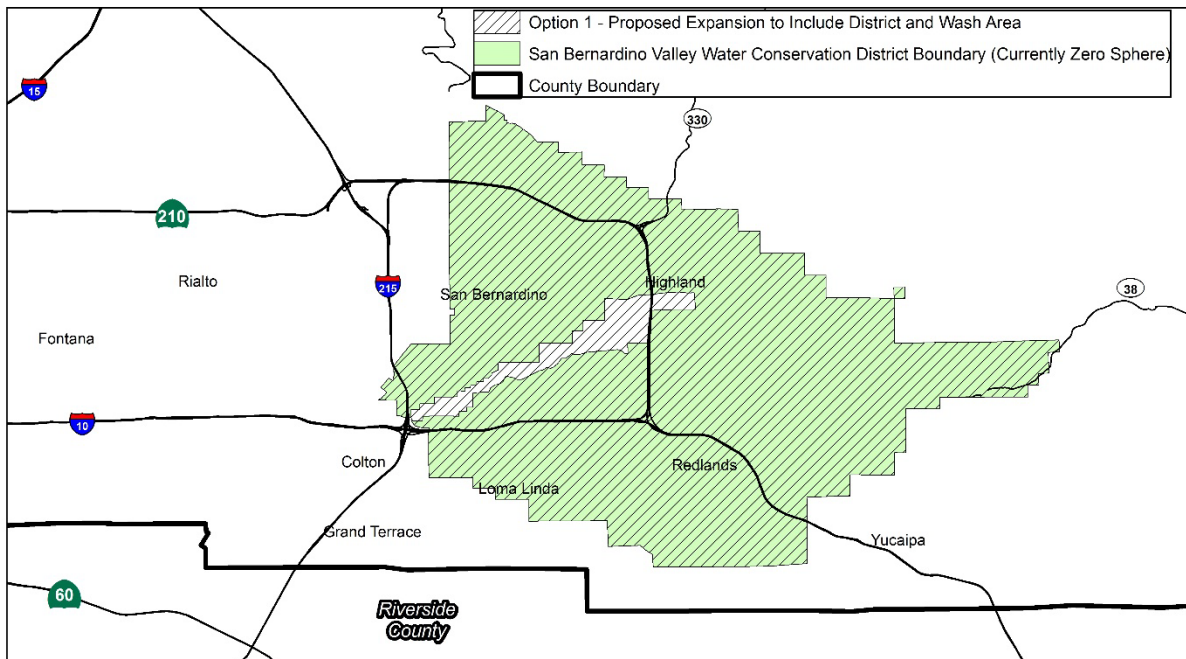
- Consider a sphere of influence amendment for the district from amongst four options (or it may chose not to deny the proposal, thereby maintaining a zero sphere of influence).
- Evaluate and make determinations on the factors outlined in Government Code Section 56425 for LAFCO 3173. These determinations will be guided by the Commission’s mission statement which reads in part, “to ensure the establishment of an appropriate, sustainable and logical municipal level government structure for the distribution of efficient and effective public services”.

Analysis of Options:

In the East Valley both storm water capture and water education activities are provided by the water conservation district and the municipal water district, as well as the Flood Control District. Specifically, the SB Valley WCD is 1) a single purpose district, 2) is not the only agency within its basin that provides stormwater capture or water education, 3) is overlaid by a municipal water district (MUNI) and flood control district that are authorized and actively provide stormwater capture, and 4) is overlaid by a municipal water district that engages in water education activities regionally. Therefore, a discussion of the potential for streamlining these activities is warranted. The options analyzed are (maps included as Attachment #1):

Option 1 - District Application: Proposed Expansion to include existing District boundary and “Wash Area” of the Santa Ana River

The SB Valley WCD, MUNI, and East Valley Water District have submitted a joint letter signed by the respective general managers requesting that the Commission move forward with the re-establishment of a sphere of influence for SB Valley WCD as requested by that district. A copy of the letter is included as Attachment #4 to this report. The rationale expressed in the letter is that SB Valley WCD needs the certainty of a sphere to plan for the future, finance future recharge projects and provide assurances to their partners that they will be able to continue to provide water conservation services into the future. The Districts have indicated that once formed, the proposed Groundwater Sustainability Council would be in a position to assess the need for a different SB Valley WCD sphere, if appropriate. However, to date it is the staff’s understanding that the agreement to evaluate the development of Council framework has not be completed; therefore, it is uncertain as to the timing of these future steps to come to fruition. A map of Option 1 is below.



However, this option, in the staff view, does not meet the criteria for a sphere of influence as outlined above as the “probable physical boundary for the agency”. In 1993 SB Valley WCD proposed to annex the Santa Ana River area (LAFCO 2751) but the territory was excluded from consideration as the water producers in the area opposed their inclusion on the basis of the newly imposed groundwater charge. No information has been received during the processing of this sphere amendment proposal that shows a change in position from the City of Riverside or the other mutual water companies pumping water in this region. Therefore, it does not meet the expectation that it will become the physical boundary of the agency.

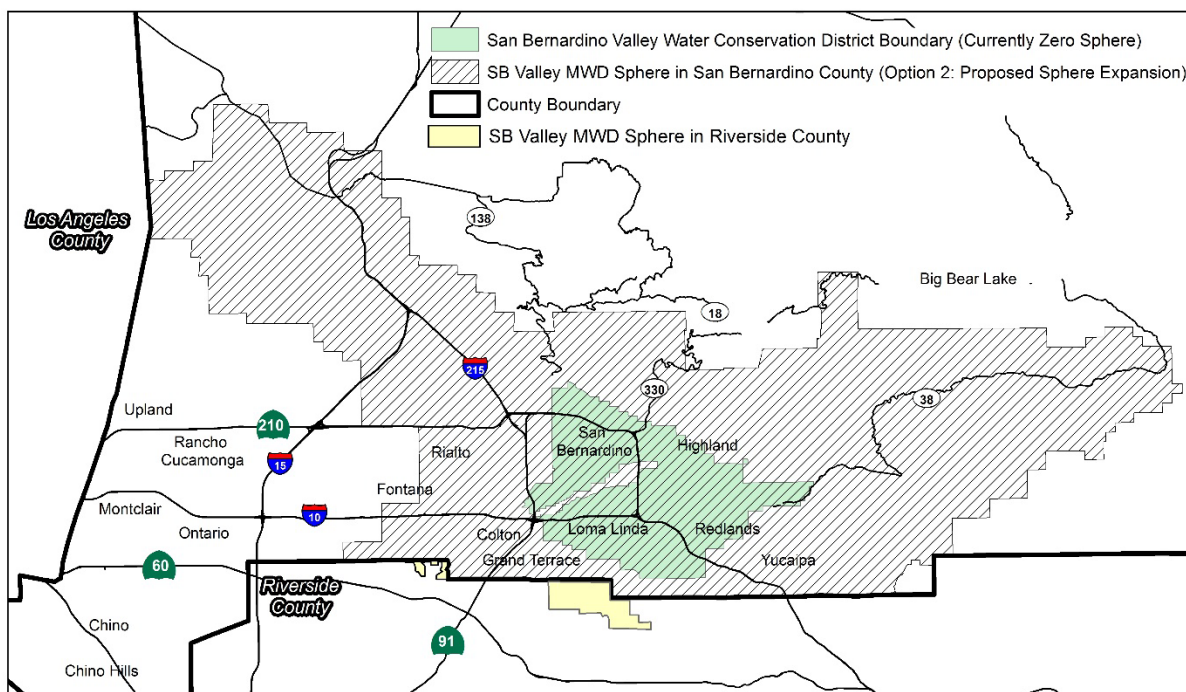
In response to the statements that the District is in need of assurances regarding the continued provision of water conservation services; therefore the sphere of influence should be reinstated, a sphere of influence designation will not provide for this. A more compelling assurance for the continuing existence of the District is the requirement in Water Conservation District law for voter approval to move forward with a dissolution application. It specifies that a 60% petition in support is required to move forward with a dissolution, estimated at this time to require more than 60,000 voters. Therefore, staff does not support Option 1.

Option 2 - Expansion to be Coterminous with San Bernardino Valley Municipal Water District Sphere in San Bernardino County

Generally, spheres that are coterminous offer a mechanism to plan for service provision on a regional or community scale amongst agencies. This position is reinforced by the Commission’s policies for spheres of influence regarding coterminous spheres of influence within its community-by-community approach which reads:

The community-by-community approach is a guide used to establish spheres of influence. The idea was adopted by San Bernardino LAFCO prior to the mandate for spheres of influence, and includes the practice of looking at a total area, which could be considered a community, and defining its boundaries. This approach also considers the existence of inter-related economic, environmental, geographic, and social interests, and attempts to harmonize the conflicting plans and services of the various service entities. Under this approach, an attempt is made to keep the spheres of influence of the various service districts as nearly the same as possible.

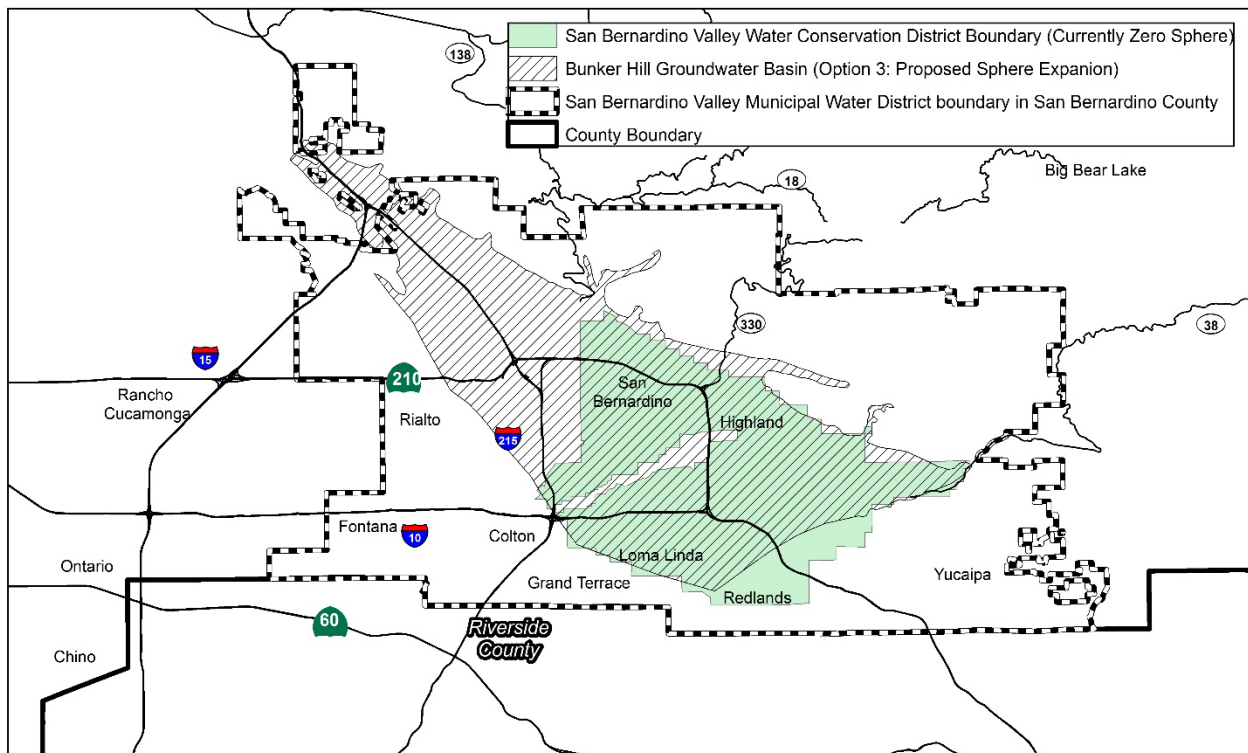
However, MUNI's sphere extends northwesterly to the Los Angeles County line near the mountain community of Wrightwood (conforming to the watershed boundary), northerly into the San Bernardino Mountains, and easterly near Barton Flats where Highway 38 curves northward towards Bear Valley and southerly into Riverside County. The map below identifies the sphere of influence for MUNI and Option 2 which would propose the expansion of the District's sphere in San Bernardino County only. A sphere of influence expansion into Riverside County would be considered by the Riverside LAFCO per the existing agreement regarding cross-county sphere determinations. The map is shown below.



These vast areas do not require the services or planning available from SB Valley WCD. Further, the SB Valley WCD territory comprises 78 square miles, and the MUNI sphere in San Bernardino County comprises 616 square miles. A sphere expansion of this magnitude would increase the District's sphere beyond its boundary by 689%. For these reasons, Option 2 lacks proper justification and therefore staff does not support this option.

Option 3 - Expansion to Encompass the Bunker Hill Groundwater Basin

It has been LAFCO's staff's position since the District's original service review in 2005 that the Bunker Hill Basin should be considered as a single unit when evaluating agencies with recharge responsibilities or operations. It remains staff's position that the ability to maximize recharge efforts should be coordinated at the regional level, or basin - level. Therefore, in comparison with Option 1, a sphere of influence including at least the entirety of the Bunker Hill Basin is preferred by LAFCO staff for the reasons identified above. A map of Option 3 is shown below.



However this boundary does not conform with parcel lines or the boundaries of other overlying agencies which may create issues on the implementation of the Groundwater Sustainability Council efforts. Therefore, staff does not support this option.

Hybrid Alternative:

The Commission modified LAFCO 3173 to include the three alternatives outlined above. After analyzing the three options, LAFCO staff presents an alternative for consideration which is a hybrid taking the best from the other options.

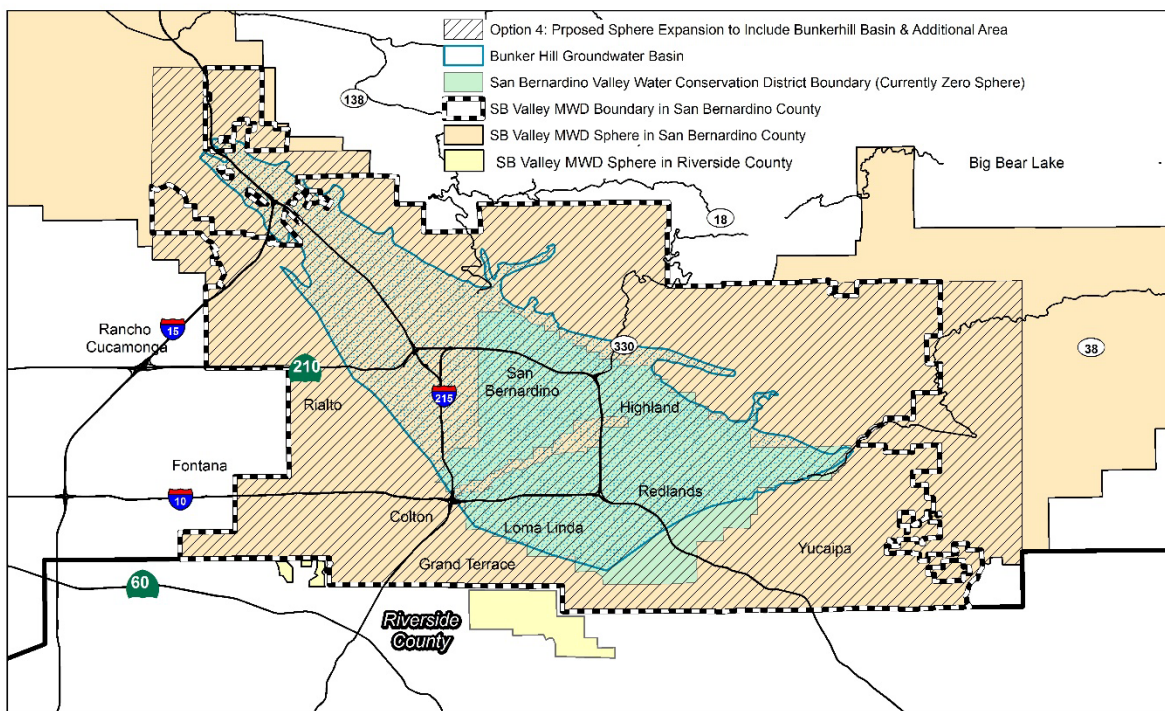
As stated, LAFCO staff's position remains that the Bunker Hill Basin should be considered as a single unit when evaluating agencies with recharge responsibilities or operations. That

being said, when looking at the map for Option 3, the MUNI boundary (San Bernardino County portion) does not include the entirety of the basin. In order to achieve the best result, staff supports a hybrid between Option 2 (MUNI sphere) and Option 3 (Bunker Hill Basin). Referencing the joint support letter for Option 1, once formed, the proposed Groundwater Sustainability Council would be in a position to assess the need for a different SB Valley WCD sphere, if appropriate. However, support for the hybrid Option would not necessitate that the District return to LAFCO with an application to expand its sphere as the area would already be included.

Therefore, LAFCO staff's position is that inclusion of the entire Bunker Hill Basin and the MUNI service boundary, along with minor adjustments to provide for inclusion of the entire water basin area and the use of parcel lines to provide for a clear and identifiable sphere boundary, provides for a logical, ultimate probable service boundary and would:

- Meet the goals of including the entire Bunker Hill Basin as identified in the service review,
- Include the territories of its two main partnering agencies in the Groundwater Sustainability Council (MUNI and East Valley WD), and
- Negate the future need for application for amended spheres of influence to support service delivery options from the Groundwater Sustainability Council thereby requiring only one LAFCO review for approval or exemption from Section 56133.

A map of the hybrid option is shown below.



DENIAL OF LAFCO 3173:

Alternatively, by denying the proposal, the current “zero” sphere of influence designation would remain; thereby continuing the Commission’s position that a change of organization should take place assigning the District’s service obligations and responsibilities to another agency at some point in the future. Such future action could theoretically be either a dissolution or consolidation process. However, to dissolve a water conservation district, Water Conservation District Law requires a petition signed by 60% of the registered voters within a water conservation district to support the dissolution. The number of voters within the District is estimated as 101,000 which would mean that 60,600 valid voter signatures would be required to pursue this option. Therefore, dissolution of the SB Valley WCD is not likely. Instead, consolidation of a water conservation district provides a more likely mechanism.

In this case, a potential consolidation could be with MUNI or SB County Flood Control District. Consolidation offers the greatest level of benefit for resource management, seamless operations, and standardized coverage. For stormwater capture, overhead would reduce as shared equipment and labor would result in savings. All areas would participate in capital costs for new equipment and facility upgrades. Further, the redundancies for multiple elected and appointed officials as well as leadership staff would be eliminated. It would be expected that a single agency could use resources more effectively, and water education activities could consolidate thereby resulting in a single, streamlined message. However, the Commission denied a proposed consolidation of SB Valley WCD and MUNI (LAFCO 3076) in 2009 and the lingering animosity of the processing of that application makes such a proposal unlikely.

LAFCO STAFF RECOMMENDATION:

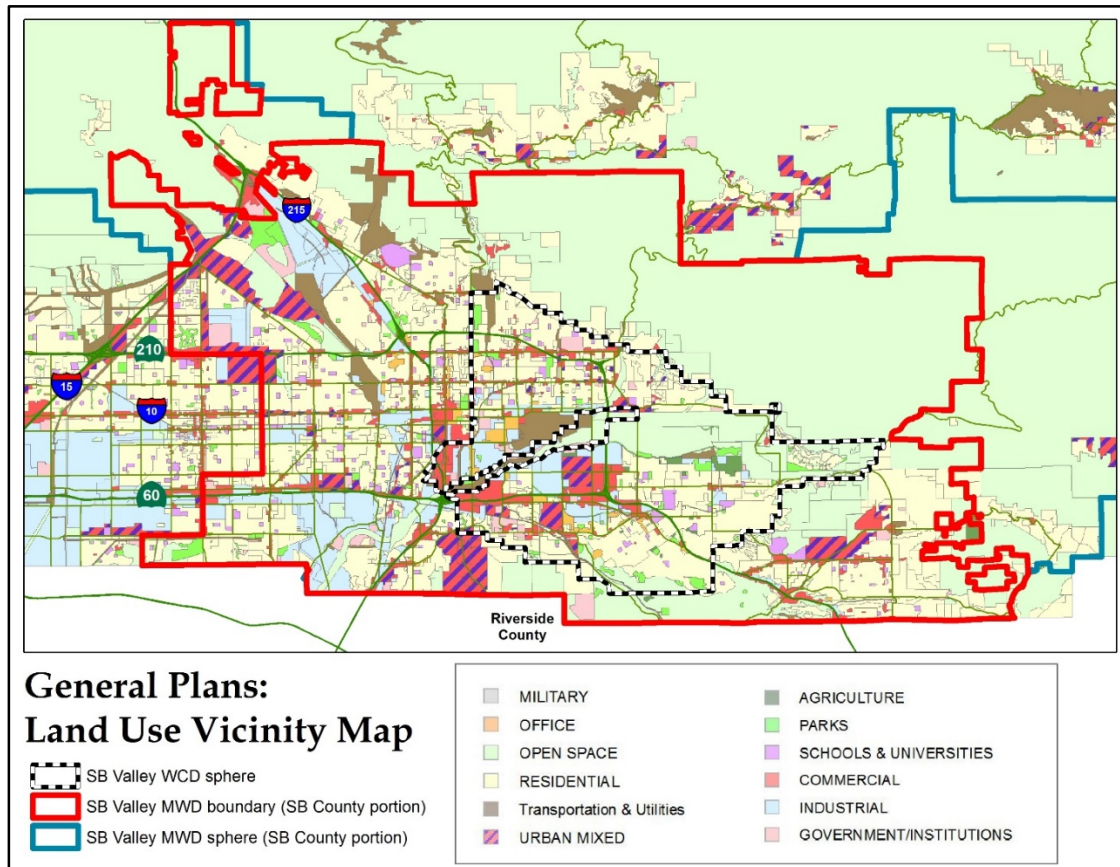
Given the determinations made in the May 2015 service review, the information outlined above, and the determinations required for a sphere amendment which are discussed below, LAFCO staff recommends that the Commission approve the hybrid option which would expand the sphere of influence for the District to encompass the MUNI boundary, the Bunker Hill Groundwater Basin and the additional area to reflect parcel boundaries. This option would allow the SB Valley WCD to participate with other agencies for stormwater capture activities outside of its boundary but within its sphere of influence (via contracts with overlying agencies or possible annexation).

FACTORS OF DETERMINATION

Government Code Section 56425(e) requires that the Commission make a written statement of its determinations on the factors outlined in the statute. The following narrative provides the staff’s analysis of these factors in relation to the hybrid option staff recommends, which includes information from the service review conducted in May 2015 titled “Service Review for Water Conservation in the Valley Region”.

The present and planned land uses in the area, including agricultural and open space lands:

The map below illustrates the land use designations of the city and county jurisdictions within the study area. As shown, the full range of land uses vary and include densely developed residential uses, industrial, San Bernardino International Airport and its airport land use plan, open space uses within the floodway of the Santa Ana River, and the San Bernardino National Forest.



The present and probable need for public facilities and services in the area:

Present Need

The population within the MUNI sphere and SB Valley WCD increased 14% and 8%, respectively, from 1990 to 2000. The 2015 estimated population is 679,858 (MUNI sphere) and 231,357 (SB Valley WCD sphere), and projections identify the areas to grow at marked lesser rate of 0.5% annually through 2020.

Population Source	Census			Estimate	Projected			
Year	1990	2000	2010	2015	2020	2025	2035	2045
Valley Region								
MUNI Sphere	515,456	585,520	665,559	679,858	698,454	737,723	823,010	918,156
SB Valley WCD	195,123	209,886	227,590	231,357	236,176	249,455	278,294	310,466
sources: 1990, 2000, and 2010 population (U.S. Census) 2014 estimate & 2020 Projected (ESRI) 2025 through 2045 population (SCAG and LAFCO)								

There are five basins, or portions of, within the East Valley. The figure below is a summary of the five basins from the Department of Water Resources (“DWR”). As part of the California Statewide Groundwater Elevation Monitoring Program and pursuant to the California Water Code §10933, DWR is required to prioritize California groundwater basins to help identify, evaluate, and determine the need for additional groundwater level monitoring. As identified by the DWR, the Bunker Hill and Riverside-Arlington basins have been designated as High Priority basins (high cumulative ratings as shown in the chart below) and the others as Medium Priority basins for future monitoring.

California Statewide Groundwater Elevation Monitoring Program							
Upper Santa Ana Valley Basin - East Valley							
DWR Rating (1 = low, 5 = high)							
Sub-Basin	Sq. Miles	2010 Pop.	Pop. Growth	GW Reliance	Impacts	Basin Priority	Impact Comments
Bunker Hill	127	363,394	4	1	3	3 High	Impacted with toxins from Newmark Superfund site & perchlorate from Crafton-Redlands plume.
Rialto-Colton	47	145,832	4	1	3	3 Medium	Extensive perchlorate contamination in basin.
Riverside-Arlington	92	336,884	4	2	4.5	5 High	Water quality degradation issues known in several public supply wells.
San Timoteo	115	54,169	2	5	2.5	3 Medium	High nitrates and salinity. Upper basin water quality issues.
Yucaipa	40	65,180	3	1	3.5	5 Medium	Overdraft. Documented impacts of nitrates and sulfates.

For the first time in California’s history, urban water suppliers are required to comply with new mandatory restrictions aimed at achieving a statewide 25 percent reduction in potable urban water use. The Governor’s Executive Order comes as water supplies continue to decline due to the severe drought gripping the state. The need for water conservation resources has intensified due to this circumstance.

Probable Need

It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and its analysis in conjunction with Southern California Associated Governments (“SCAG”) projections provides a projected population of roughly 918,000 in 2045 for the current MUNI sphere of influence and roughly 310,000 for the current SB Valley WCD boundary. For the MUNI sphere, which includes the territory of the SB Valley WCD, the 2045 figure would be 80% larger that of 1990 with an evident corresponding increase in population density.

The population projections identified above do not include the heavy daily business, commercial, education and industrial activities. Further, the transient traffic on Interstate 10 (one 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. All of this signals that the East

Valley Region is densely populated, with heavy travel and that the need for water conservation resources will only intensify for the already impacted groundwater basins.

Over the next 25 years, the subject area population is expected to significantly increase. It is paramount that the agencies recognize the need to develop and promote programs that protect existing water resources for the region's sustainability and future growth. Conservation and the efficient use of water is the most cost-effective source of water supply reliability and are essential to meeting the region's current and future demand.

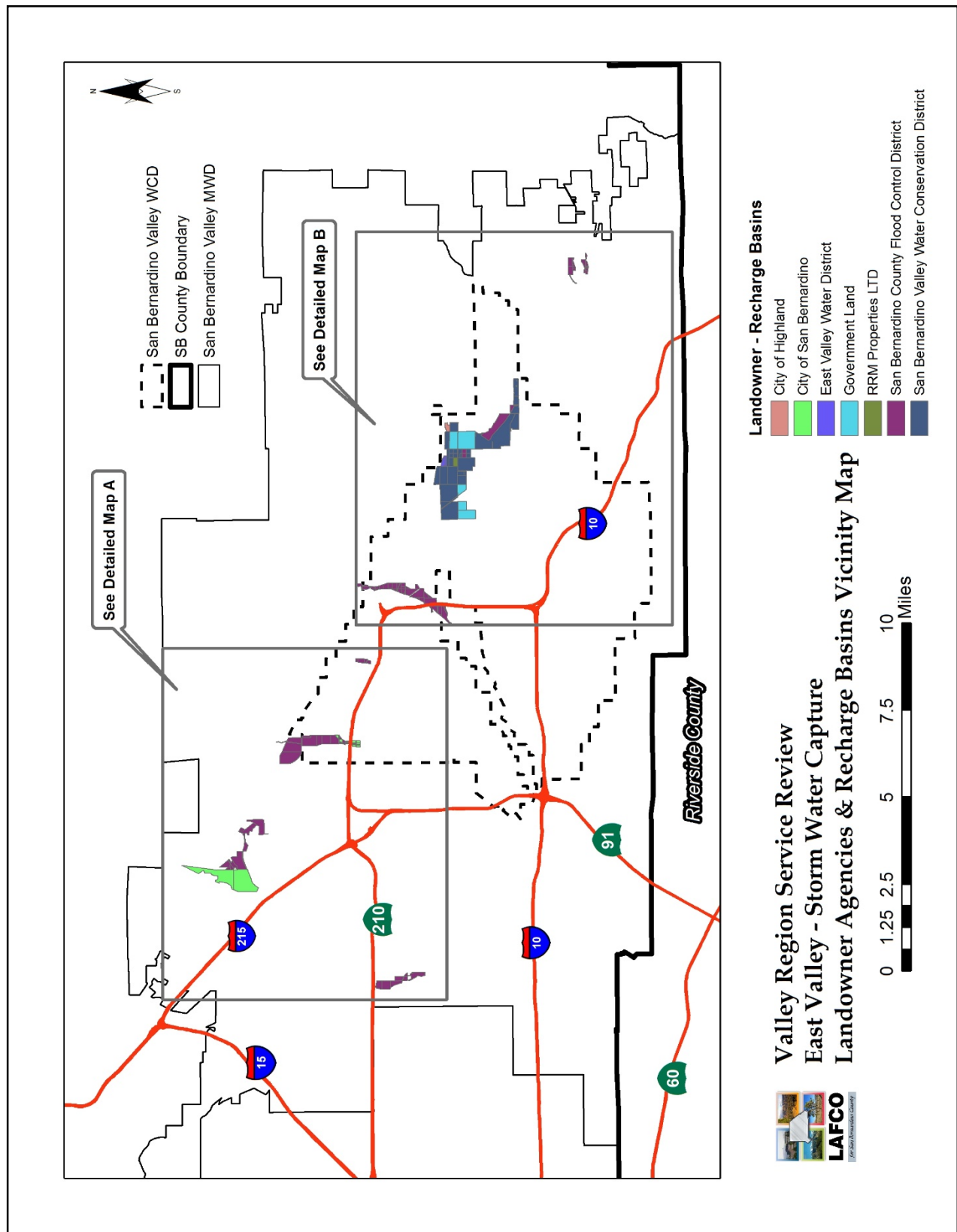
The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;

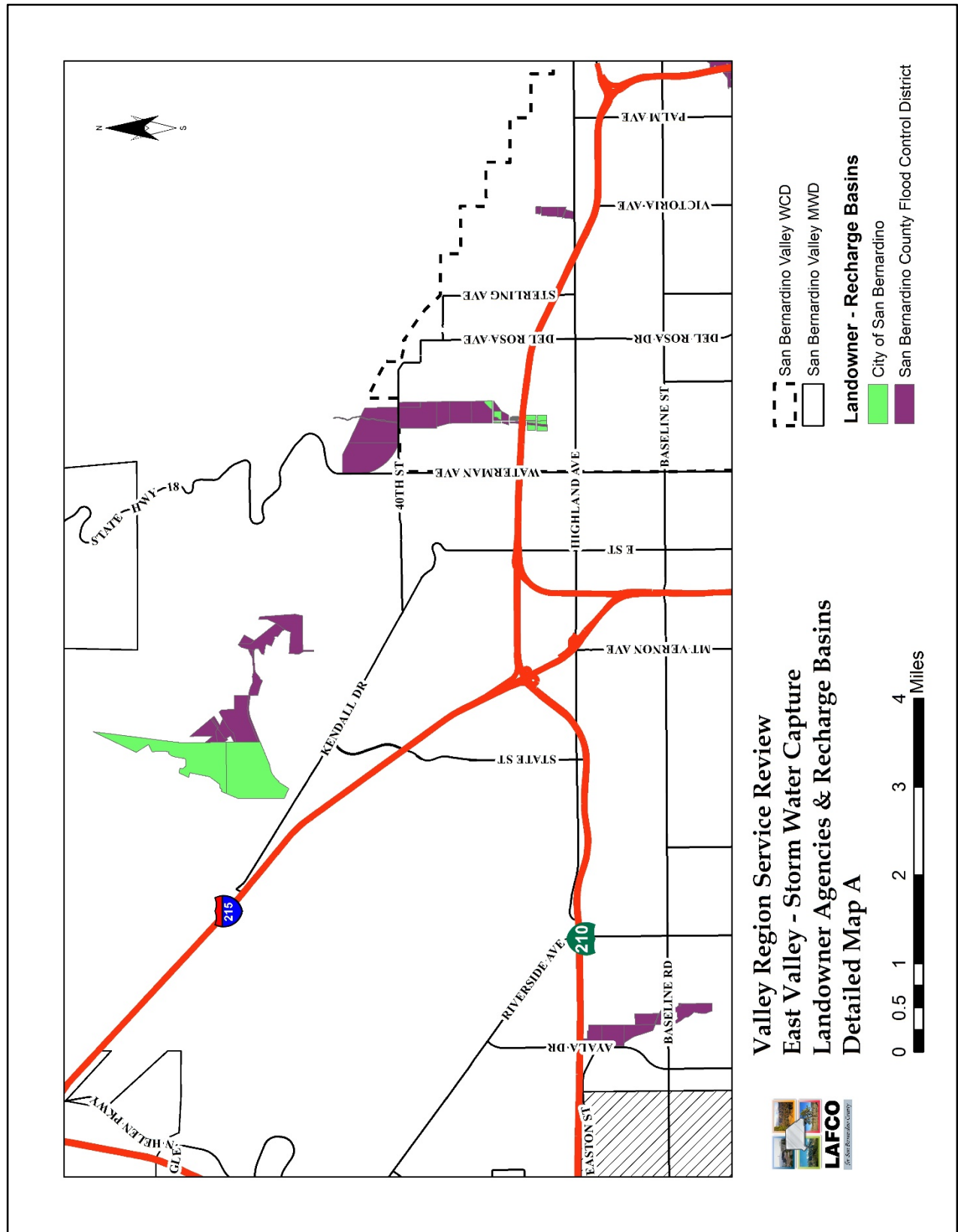
Surface Water Capture

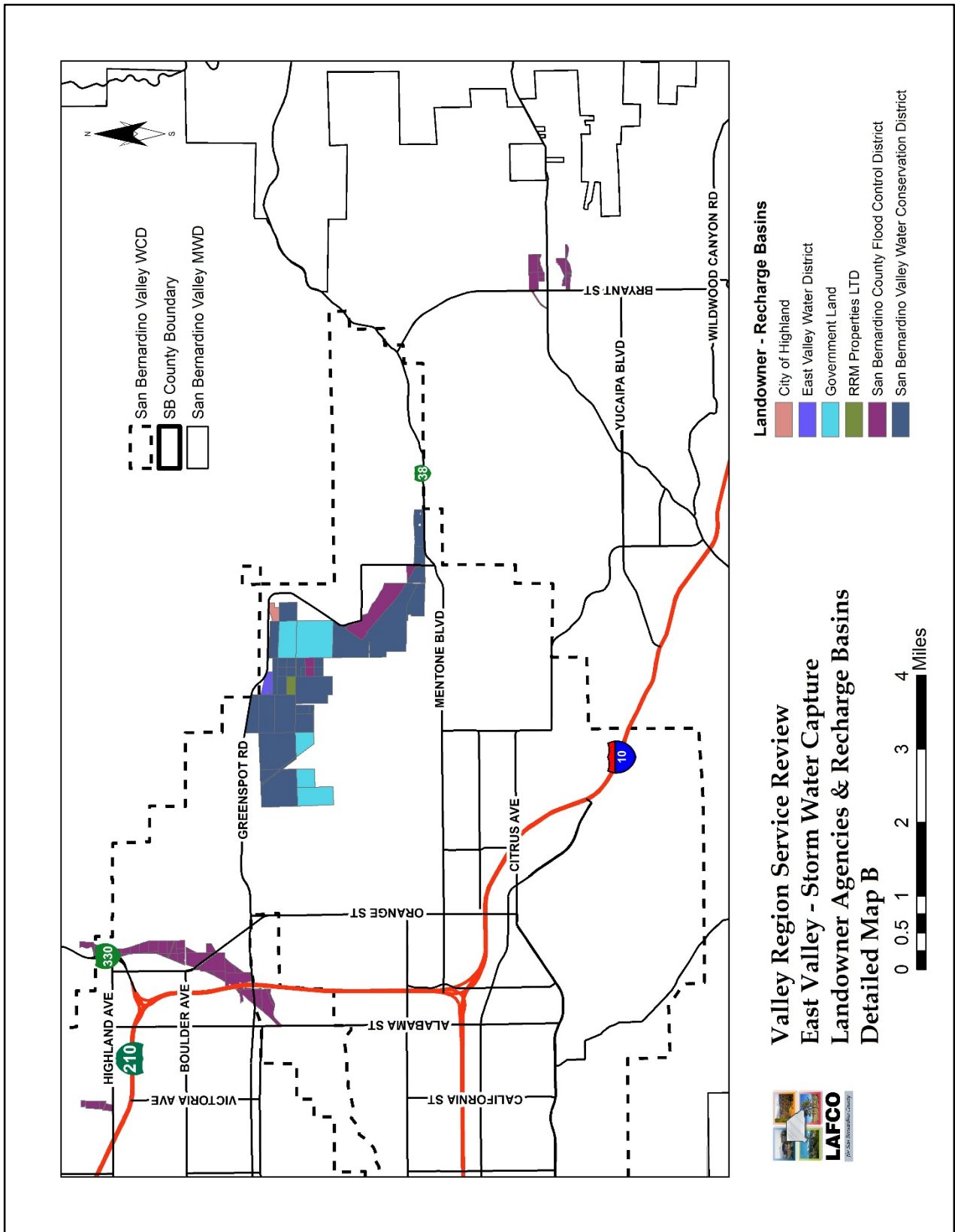
The following agencies actively recharge the groundwater basins (not limited to stormwater/runoff) or account for recharge within the general East Valley. MUNI encompasses the whole of the agencies under LAFCO review and is the court-appointed watermaster for the San Bernardino Basin Area which includes the Bunker Hill Basin in San Bernardino County, which extends into Riverside County.

- Primary Agencies
 - San Bernardino Valley Municipal Water District
 - San Bernardino Valley Water Conservation District
 - San Bernardino County Flood Control District
- Secondary Agencies
 - Beaumont-Cherry Valley Water District
 - City of San Bernardino Municipal Water Department
 - East Valley Water District
 - West Valley Water District
 - Yucaipa Valley Water District

Numerous existing groundwater recharge facilities (spreading grounds or spreading basins) are located in the San Bernardino Basin Area, Rialto-Colton, and Yucaipa basins. Further, more than one agency can play a role in recharge at a single or group of facilities. Therefore, for presentation purposes, the locations of these facilities are shown below by landowner only. Selected characteristics of the facilities are summarized in the following table.







Facility Name	Owner or Operator	Conveyance Used to Serve Facility Turnout Name & Capacity (cfs)	Recharge Facility Characteristics ¹			
			Active Recharge Facility Area ² (acres)	Percolation Rate ³ (feet/day)	Monthly Capacity (AF)	Groundwater Basin (and Subbasin) Recharged ⁴
SAR Spreading Grounds	SBVWCD	Foothill Pipeline	64 ⁴	3	12,000	SBBA (Bunker Hill)
		Santa Ana Low Flow (288)				
		Santa Ana Intake (200 Max)				
Devil Canyon and Sweetwater Basins	SBCFCD ⁵	Foothill Pipeline	30	1.5	1,350	SBBA (Bunker Hill)
		Sweetwater (37)				
Lytle Basins	Lytle Creek Water Conservation Association	Fontana Power Plant	Variable	1.5	Variable	SBBA (Lytle Creek)
		Constructed drainage channel				
City Creek Spreading Grounds	SBCFCD	Foothill Pipeline	75	1.5	3,375	SBBA (Bunker Hill)
		City Creek (60)				
Patton Basins	SBCFCD	Foothill Pipeline	3	0.3	27	SBBA (Bunker Hill)
		Patton (12)				
Waterman Basins	SBCFCD	Foothill Pipeline	120	0.5	1800	SBBA (Bunker Hill)
		Waterman (135)				
East Twin Creek Spreading Grounds	SBCFCD	Foothill Pipeline	32	1.5	1440	SBBA (Bunker Hill)
		Waterman (135)				
Badger Basins	SBCFCD	Foothill Pipeline	15	0.5	225	SBBA (Bunker Hill)
		Sweetwater (22)				
Mill Creek	SBVWCD	Greenspot Pipeline	66	3	6,000	SBBA (Bunker Hill)
		Mill Creek Spreading (50)				
		Mill Creek Intake (110)				
Cactus Spreading and Flood Control Basins	SBCFCD	San Gabriel Valley MWD Lytle Pipeline	46	1.5	2,070	Rialto-Colton
		Lower Lytle Creek (55)				
Wilson Basins	SBCFCD	East Branch Extension	12	1	360	Yucaipa subbasin
		Wilson Basins (30)				
Garden Air Creek	Valley District	East Branch Extension	n/a	n/a	n/a	San Timoteo subbasin
		Garden Air Creek (16)0				

¹ Values are from tabulation on map contained in Water Right Application by Valley District and Western to appropriate water from the SAR or by engineering evaluation of spreading grounds.

² Recharge facility area is the geographical extent of each basin that can be inundated for recharge.

³ Estimated percolation rate. This is the estimated rate at which water can percolate into the ground through the basin, expressed in feet per day. The values used have generally been computed from the annual recharge capacity. These rates are typically about one-half of the percolation rates presented by the USGS (1972). The use of the small percolation rates is reasonable in that it would involve longer-term percolation rates that are typically smaller than short-term rates.

⁴ Note that there may be flow out of the subbasin or basin identified. For example, a report by Geoscience Support Services, Inc. (1992) estimated that only 36 percent of the water recharged in the upper Lytle Creek area remains in the Lytle Creek subbasin, while most of it flows to the Rialto-Colton subbasin.

⁵ Recharge facility area based upon 4/11/03, SBVWCD Report: "SBVWCD Basin Storage Capacity for SAR and MC." Or by estimating using GIS.

Source: Upper Santa Ana River Watershed: Integrated Regional Water Management Plan. 2015.

In response to the draft staff report for the service review, SB Valley WCD clarified the data in the chart above as follows:

- SAR Spreading Grounds – Diversion capacity at Cuttle Weir is approximately 900 CFS, current capacity under Greenspot trail is 200-250 CFS. Enhanced Recharge Cooperative project is designed to increase to 500 CFS.
- Mill Creek Row - Two 50 CFS canals can deliver a peak of 100 CFS. Improvements are in design to upgrade the reliability at this capacity during more productive storm events.

In response to the draft staff report for the service review, the San Bernardino County Flood Control District clarified the data in the chart above by noting that it's Oak Glen and Wildwood basins are a part of the Yucaipa area basins.

San Bernardino Basin Area

The Bunker Hill Basin and surrounding areas comprise the San Bernardino Basin Area. The Bunker Hill Basin is an adjudicated groundwater basin through a 1969 judgment in *Western Municipal Water District v. East San Bernardino County Water District* which appointed MUNI and Western Municipal Water District as Watermasters for the San Bernardino Basin Area. As Watermaster, MUNI is required to monitor and replenish the basin when surface diversions and groundwater extractions exceed the determined safe yield. Groundwater extraction and replenishment activities must be carefully balanced in the Bunker Hill Basin due to the unique hydrogeology of the basin. As its primary mission, SB Valley WCD is also responsible for replenishment of the Bunker Hill Basin which it accomplishes through a network of canals, diversion structures, and percolation basins.

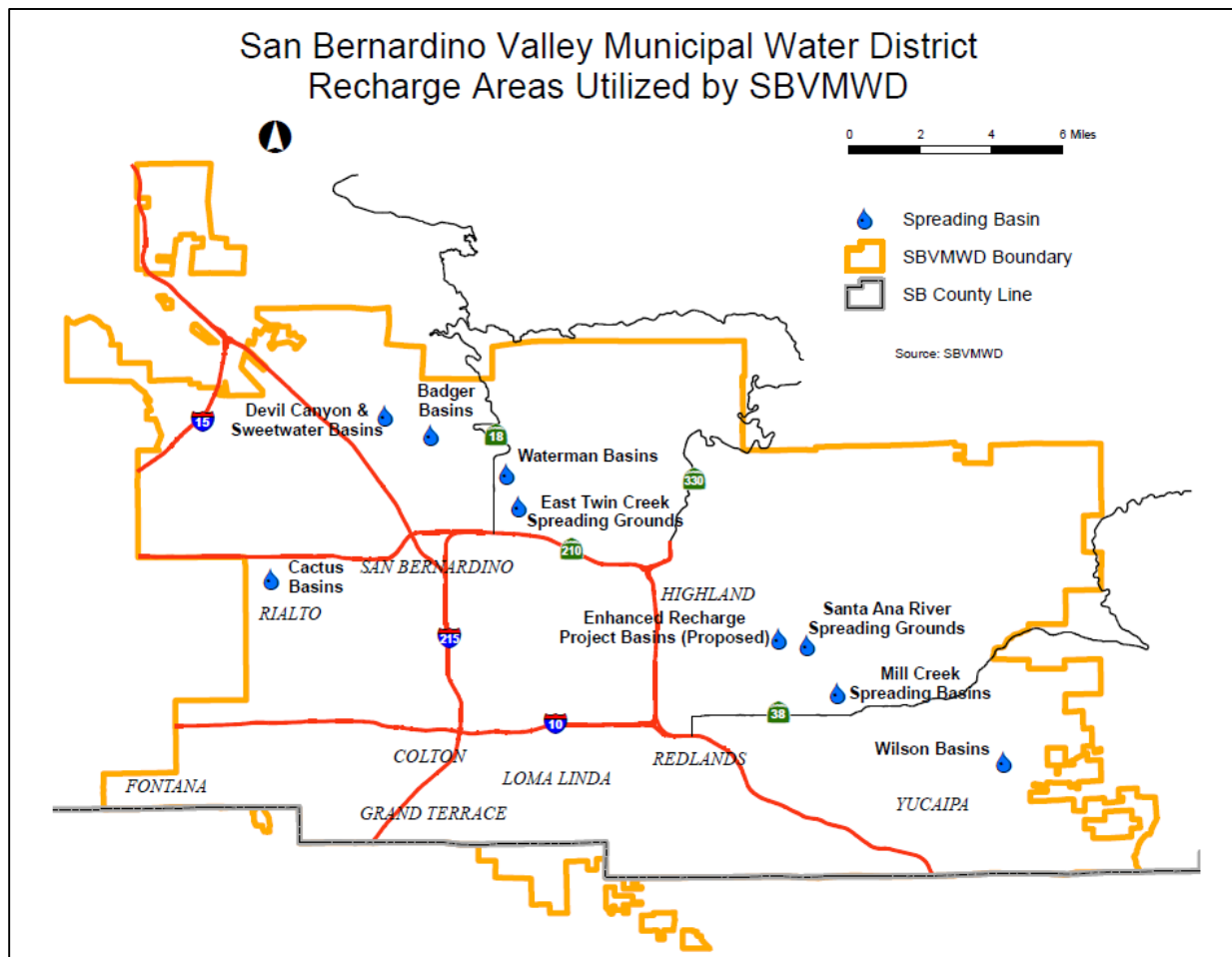
MUNI and SB Valley WCD cooperatively monitor and report on surface and groundwater for the Bunker Hill Basin. SB Valley WCD provides the Daily Flow Report for surface water and annual Engineering Investigation Report for groundwater levels and change in storage as required by the Water Code Section 75601. According to MUNI, groundwater storage in the San Bernardino Basin Area is currently 650,000 acre-feet lower than it was in the base year, 1934. This new, historic low storage level is about 78,000 acre-feet lower than the previous, historic low storage level recorded in 1965.

San Bernardino Valley Municipal Water District

MUNI is responsible for long-range water supply management, including importing supplemental water, and is responsible for most of the groundwater basins within its boundaries and for groundwater extraction over the amount specified in the judgments. It has specific responsibilities for monitoring groundwater supplies in the San Bernardino and Colton-Rialto basins and maintaining flows at the Riverside Narrows on the Santa Ana River. It fulfills its responsibilities in a variety of ways, including importing water through the State Water Project ("SWP") for direct delivery and groundwater recharge and by coordinating water deliveries to retail agencies throughout its service area.

MUNI receives delivery of SWP water at the Devil Canyon Power Plant Afterbay, which is located just within its northern boundary. Water is conveyed 17 miles eastward to various spreading grounds, agricultural, and wholesale domestic delivery points in the San

Bernardino Basin, which are shown in the figure below. Water is also conveyed westward for direct delivery and recharge in the Colton-Rialto basin.



San Bernardino Valley Water Conservation District

SB Valley WCD and its predecessors have conducted groundwater recharge activities since 1912 or earlier in two areas that overlie the Bunker Hill groundwater basin in the San Bernardino Valley. These areas are at the upper end of the Santa Ana River wash area and on Mill Creek just upstream of the confluence with the Santa Ana River (collectively, the wash area). The SB Valley WCD diverts surface water flows during both storm and normal runoff from the Santa Ana River and Mill Creek and channels the flows into two separate systems of recharge basins. From there, it percolates into the groundwater basin for later pumping and use by local entities and private producers.

To accomplish the recharge, the District maintains 71 water percolation basins in the Mill Creek and Santa Ana River spreading grounds. The District also plans for, maintains or leases over 3,600 acres in the Santa Ana River Wash at and below the confluence of the Santa Ana River and Mill Creek. With water years 2013 and 2014 being dry years, the District recharged all water that was available; 7,946 acre feet of water successfully

recharged into the groundwater basin for the water year ending September 30, 2013, and 8,153 acre feet for the water year ending September 30, 2014.

SB Valley WCD has two water right licenses that allow for up to 10,400 acre feet of Santa Ana River water to be diverted for groundwater recharge during certain periods during the year. SB Valley WCD also claims to hold certain quantities of pre-1914 water rights on the Santa Ana River and Mill Creek.

Agreement to Develop and Operate Enhanced Recharge Facilities

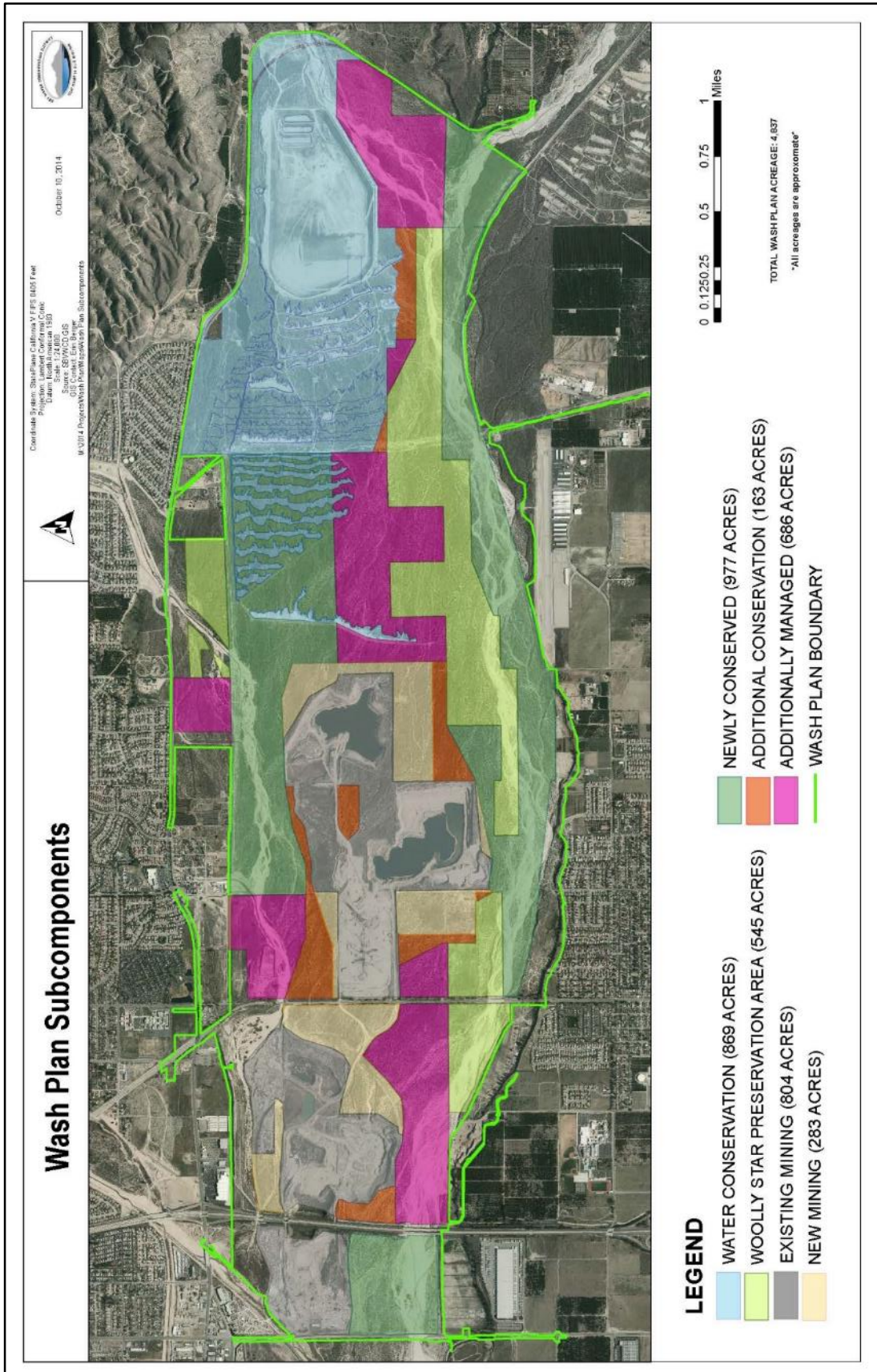
In 2012 an agreement to develop and operate enhanced recharge facilities was entered into by the SB Valley WCD, MUNI, and Western Municipal Water District (Riverside County entity which is a party to the adjudication). The purpose for the agreement is to allow for collaboration by increasing opportunities to recharge local surface water supplies, as well as State Project Water, in the San Bernardino Basin Area by reducing the time and cost required to permit and construct essential public infrastructure (such as spreading basins); and by working together to achieve an efficient division of labor in the operation and maintenance of water infrastructure.

The goal of the agreement is to harmonize their water resource activities with other uses of lands in the area, for the optimization of coordinated use by all. The other uses in the area include the mining of sand and gravel mineral deposits pursuant to existing leases, and habitat conservation and management, pursuant to a series of multi-agency cooperative initiatives (as yet unapproved) involving local, state, and federal resource management and control agencies. The parties agreed that they must increase groundwater storage in the basin in order to meet current and future demands for water among their constituents. The agreement term is for 25 years with optional renewals.

Upper Santa Ana River Habitat Conservation Plan (Wash Plan)

A key planning and management effort is the Upper Santa Ana River Habitat Conservation Plan (also known as the "Wash Plan"). Located at the confluence of the Santa Ana River and Mill Creek, the Wash Plan is generally bounded on south by the Santa Ana River, on the north and east by Greenspot Road, and continues west to Alabama Street. This plan is a long term environmental, infrastructure, and management approach to create a comprehensive program to manage the Wash Area. A map showing the Wash Plan sub-components is shown in the figure below. The development of this plan continues to be difficult and requires the participation of a Task Force, made up of stakeholder communities and partners as well as resource agencies, U.S. Fish and Wildlife Service, the Bureau of Land Management ("BLM"), and the California Department of Fish and Wildlife. The Task Force intends to have an approved program by the end of calendar year 2015.

In 2012 and 2013 the SB Valley WCD was able to work with the U.S. Fish and Wildlife Service to refocus efforts and increase progress toward completion of the Wash Plan Habitat Conservation Plan. The plan supports a land exchange between SB Valley WCD and the BLM to improve water recharge thereby enhancing local supplies and continuing to supply the region aggregate for local construction projects. This plan will contribute significant environmental improvements to habitat for several endangered species including the San Bernardino Kangaroo Rat and the Santa Ana River Woolly Star plant in the wash. The plan also allows expanded water conservation facilities, mining, transportation and trails.



Education and Demonstration

San Bernardino Valley Municipal Water District

MUNI offers large water users (1,500 ccf per year, or higher) a financial incentive to invest in weather stations and weather based irrigation controllers, and has developed a brochure that offers a variety of water efficient plants that do well in the Southern California climate.

As a wholesaler, MUNI is not responsible for the demand reductions required by the Water Conservation Act of 2009 – SBX7-7 (10% demand reduction by 2015 and 20% by 2020) but is responsible for helping the retail agencies within its boundary achieve their water use reductions (Water Code §10608.36). MUNI's water use efficiency program is designed to help the retail agencies within its service area achieve their demand reductions.

San Bernardino Valley Water Conservation District

The District currently budgets very limited funding toward conservation education and outreach efforts. Instead, it focuses on water recharge efforts in cooperation with other agencies. SB Valley WCD also participates with the Inland Empire Resource Conservation District (IERCD) in its Elementary School Education efforts. By partnering with the IERCD the District can convey messages about conservation and its efforts to help while supporting the existing programs. This cost effective program shares staff and facilities, and achieves multiple goals at a low cost.

SB Valley WCD is the local sponsor (with the Basin Technical Advisory Committee, Conservation Subcommittee) to provide QWEL (Qualified Water Efficient Landscaper Board) training for landscapers. Instructors are drawn from local district conservation staff and IERCD staff. The District co-sponsored the cost of the training for participants from the service area. The training was held in cooperation with Chino Basin Water Conservation District at their facilities in December 2014. In response to the draft staff report, SB Valley WCD states that it works closely with agricultural and commercial groundwater producers to address conservation opportunities and is an active participant in the regional iEfficient program and helps fund the program.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency;

Within the study area are the following social communities of interest: all or portions of the Bunker Hill, Rialto-Colton, Riverside-Arlington, San Timoteo, and Yucaipa Groundwater Basins; the Cities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Highland, Grand Terrace, and Yucaipa; and unincorporated communities of Bloomington, Mentone, Muscoy, and Oak Glen.

Economic communities of interest are vast and varied. To illustrate this point, the subject area includes heavy business, commercial, education, and industrial activities, as well as an international airport. Further, the transient and freight traffic on Interstate 10 (one 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. All of this signals that the area includes dense population and heavy travel.

AUTHORIZED POWERS:

When adopting or amending a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). LAFCO staff recommends that the Commission affirm the service description for San Bernardino Valley WCD as identified in the *LAFCO Policy and Procedure Manual, Section VI, Chapter 3: Listing of Special Districts within San Bernardino LAFCO Purview - Authorized Functions and Services*, as follows:

**San Bernardino Valley
Water Conservation
District**

Water Conservation

Appropriation, acquisition, and conservation of water and water rights for any useful purpose. Acquisition and construction of dams, reservoirs, canals, conduits, spreading basins, and sinking basin in order to conserve, store, spread and sink water.

**Surveys of Water Supply
and Resources**

Make surveys and investigation of the water supply and resources of the Water Conservation District.

According to SB Valley WCD, habitat management and enhancement in accordance with the Wash Plan is both a requirement and an opportunity for the district. However, SB Valley WCD is not authorized by LAFCO or State Law the function or service of habitat management or similar activity. Further, Water Conservation District Law does not allow for a water conservation district to provide habitat management services. Since March 2006, SB Valley WCD is authorized by LAFCO to provide “water conservation” and “surveys of water supply and resources” pursuant to the *LAFCO Policy and Procedure Manual*. Should the District desire to actively provide habitat management and enhancement, it would need to receive special legislation to expand the scope of its authorized activities in Water Conservation District Law as well as submit an application to LAFCO requesting authorization to provide said service. As an alternative to SB Valley WCD providing habitat management and enhancement, the IERCD could perform this service as its parent act and LAFCO authorize it to do so.

ENVIRONMENTAL CONSIDERATIONS:

The Commission’s Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated his recommendation that the review of LAFCO 3173 is statutorily exempt from California Environmental Quality Act (CEQA). This recommendation is based on the finding that the sphere amendment as a planning boundary is not judged to pose any adverse changes to the physical environment. Therefore, the sphere amendment is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b) (3). A copy of Mr. Dodson’s analysis is included as Attachment #5 to this report.

CONCLUSION:

Given the determinations made in the May 2015 service review, staff's analysis of the options presented for this sphere amendment, and the determinations required for a sphere amendment which are discussed in this report, LAFCO staff recommends that the Commission approve the hybrid option which is a sphere expansion to encompass the territory of the San Bernardino Valley Municipal Water District and additional surrounding area. This option will provide the framework for the district to have a greater role in recharge planning and education activities throughout the Basin and to a larger area as part of the Groundwater Sustainability Council should it come to fruition.

However, the SB Valley WCD, MUNI, and East Valley Water District have submitted a joint letter signed by the respective general managers requesting that the Commission move forward with the re-establishment of a sphere of influence for SB Valley WCD as requested, which includes the district's boundary and the wash area (Option 1). Should the Commission determine that this is the option of choice, it will need to advise staff on the factors of determination to reflect this as the best option and continue the adoption of the resolution until the November 2015 hearing to allow staff additional time for consideration.

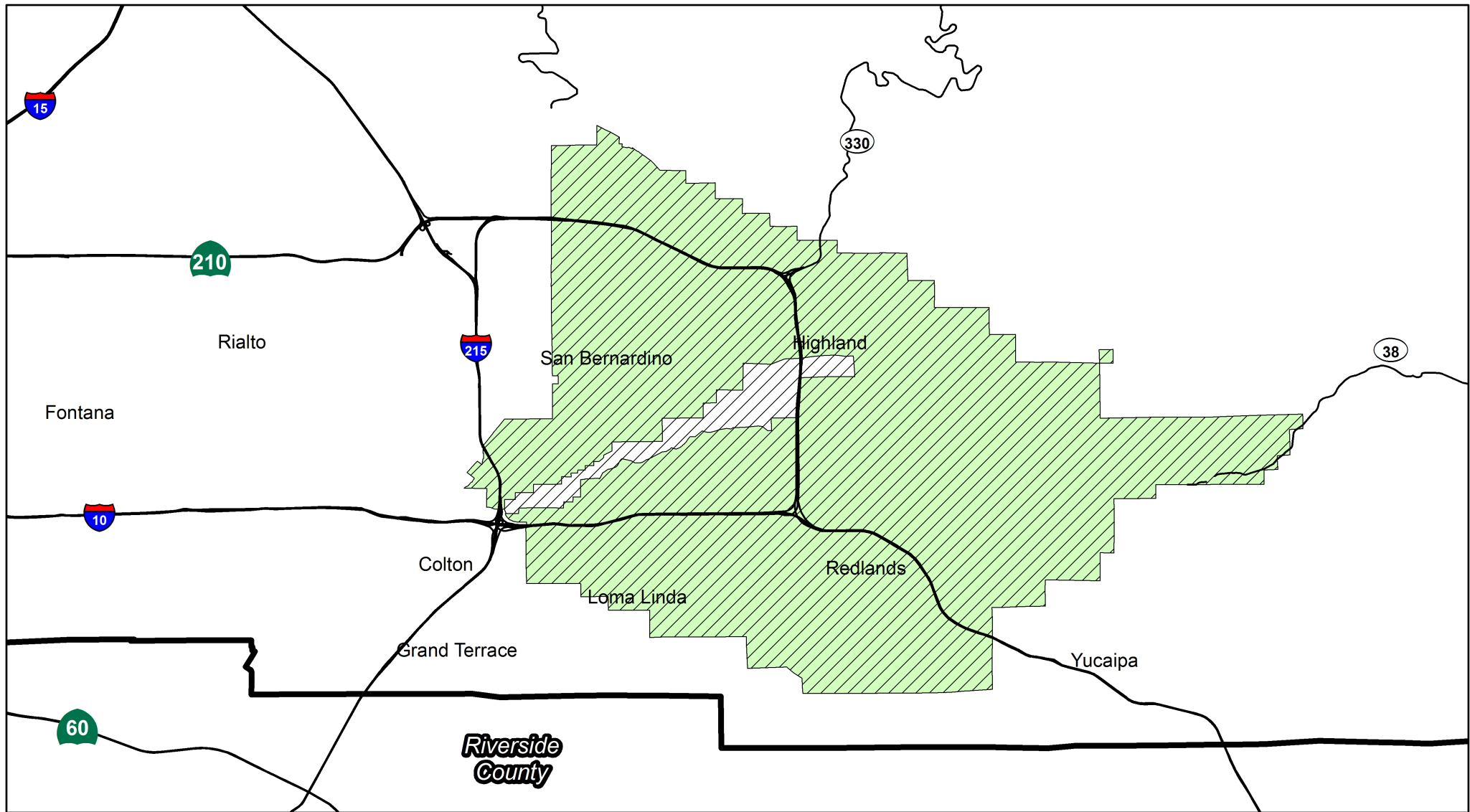
KRM/MT

Attachments:

1. Maps of the Three Sphere of Influence Options and the Staff's Hybrid Option for San Bernardino Valley WCD
2. District's Application to LAFCO
3. Service Review for Water Conservation in the Valley Region (May 2015) with links to Attachments (accessible from digital copy)
4. Joint Letter dated July 9, 2015 from San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, and East Valley Water District
5. Letter from Tom Dodson of Tom Dodson and Associates
6. Draft Resolution No. 3204

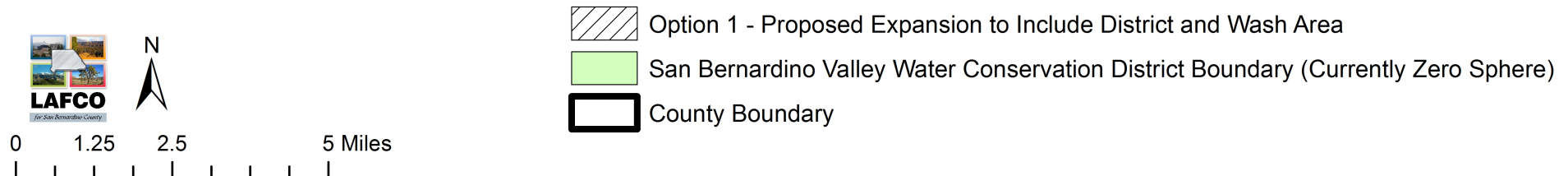
**Maps of the Three Sphere of Influence
Options and the Staff's Hybrid Option for
San Bernardino Valley WCD**

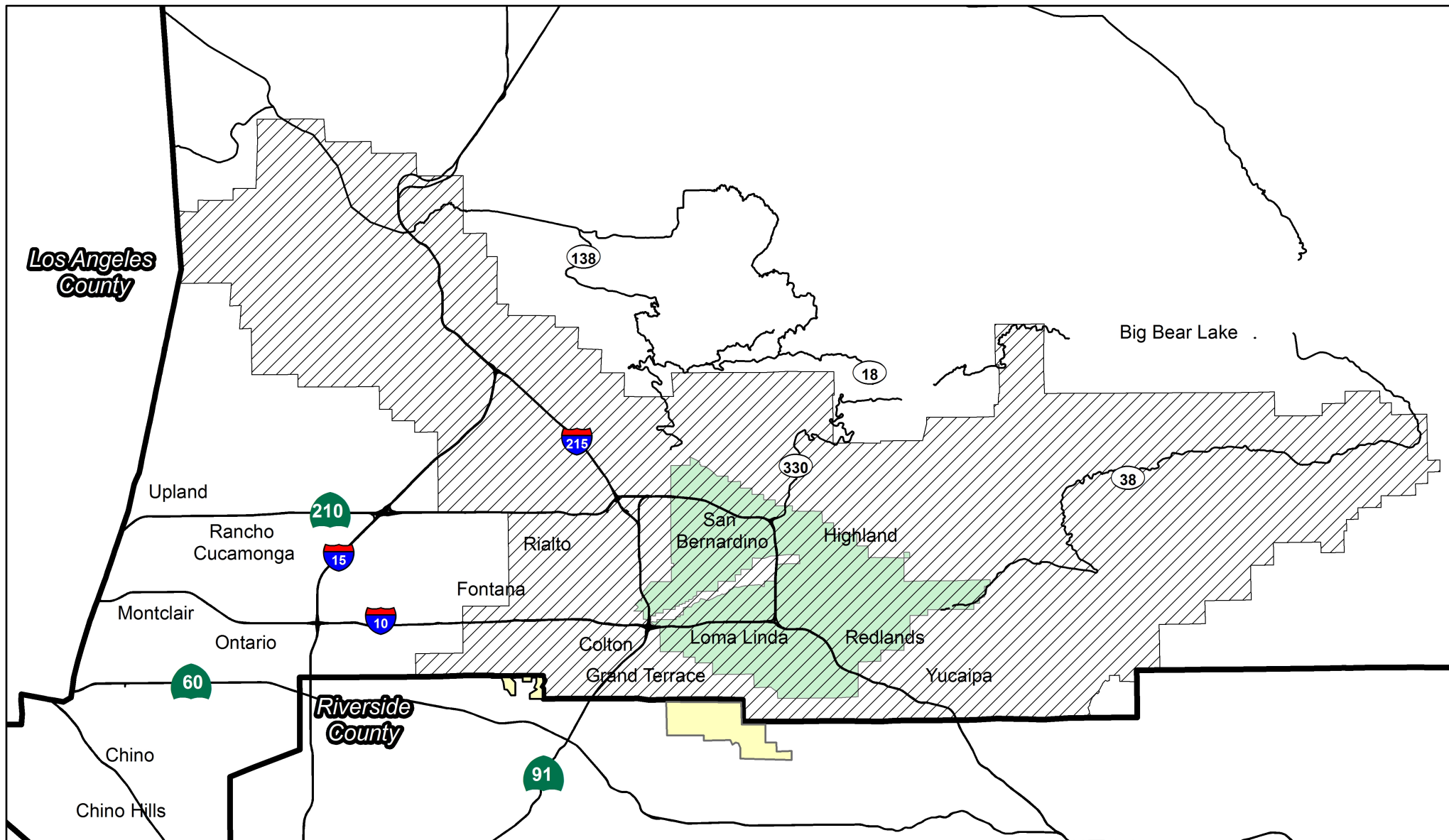
Attachment 1



Sphere of Influence Amendment for the San Bernardino Valley Water Conservation District

Option 1 - District Original Application: Proposed Expansion to include District and Wash Area





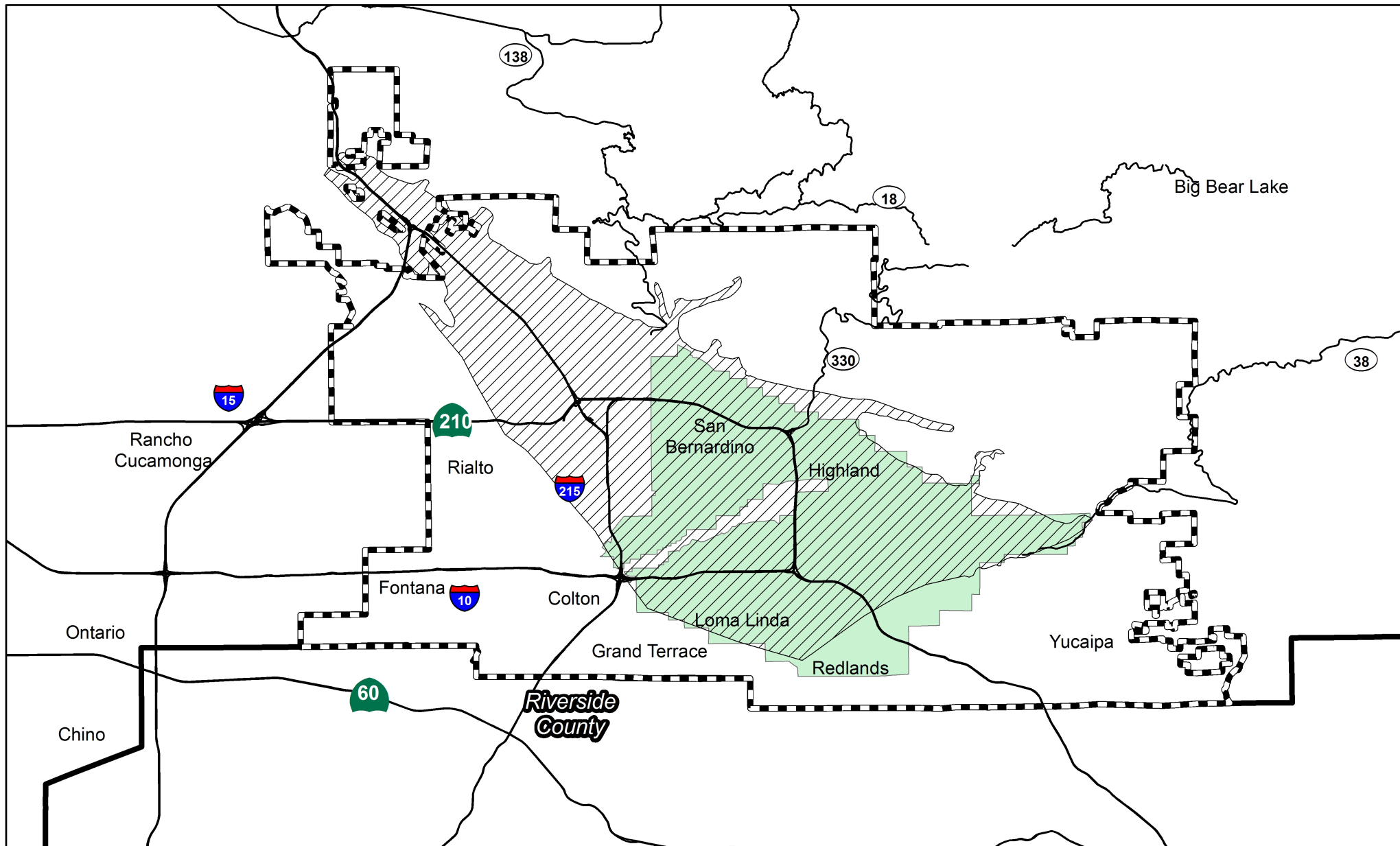
Sphere of Influence Amendment for the San Bernardino Valley Water Conservation District

Option 2 - Expansion to be Coterminous with San Bernardino Valley Municipal Water District Sphere in San Bernardino County



0 2.25 4.5 9 Miles

- San Bernardino Valley Water Conservation District Boundary (Currently Zero Sphere)
- SB Valley MWD Sphere in San Bernardino County (Option 2: Proposed Sphere Expansion)
- County Boundary
- SB Valley MWD Sphere in Riverside County

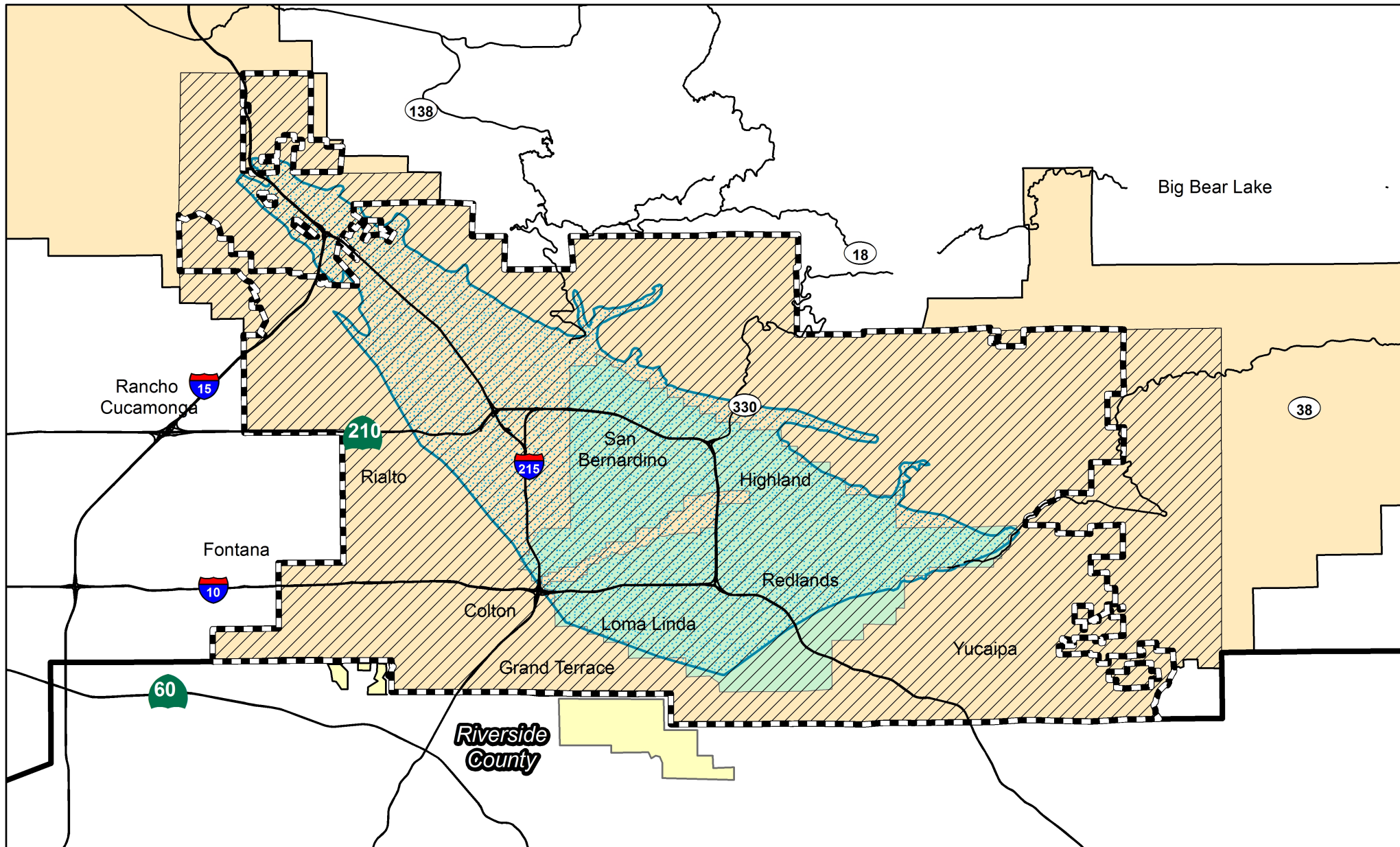


Sphere of Influence Amendment for the San Bernardino Valley Water Conservation District Option 3 - Expansion to Encompass the Bunker Hill Groundwater Basin



0 2.5 5 10 Miles

- San Bernardino Valley Water Conservation District Boundary (Currently Zero Sphere)
- Bunker Hill Groundwater Basin (Option 3: Proposed Sphere Expansion)
- San Bernardino Valley Municipal Water District boundary in San Bernardino County
- County Boundary



Sphere of Influence Amendment for the San Bernardino Valley Water Conservation District Option 4 - Expansion to Encompass the Bunker Hill Groundwater Basin & Additional Area



0 2.25 4.5 9 Miles



Option 4: Proposed Sphere Expansion to Include Bunkerhill Basin & Additional Area



Bunker Hill Groundwater Basin



San Bernardino Valley Water Conservation District Boundary (Currently Zero Sphere)



SB Valley MWD Boundary in San Bernardino County



SB Valley MWD Sphere in San Bernardino County



SB Valley MWD Sphere in Riverside County

District's Application to LAFCO

Attachment 2

**JUSTIFICATION FOR PROPOSAL AND
PRELIMINARY ENVIRONMENTAL DESCRIPTION FORM**

1. **Name of Proposal:** Sphere of Influence Amendment to the San Bernardino Valley Water Conservation District

2. **Name of Applicant:** San Bernardino Valley Water Conservation District
 1630 W. Redlands Blvd., Suite A
 P.O. Box 1839
 Redlands, CA 92373
 ATTN: Daniel Cozad, General Manager

 Phone: (909) 793-2503
 Cell: (909) 557-5904
 E-Mail: dcozad@sbvwcd.dst.ca.us

3. **General location of proposal:**
 The San Bernardino Valley Water District (SBVWCD) is located within the eastern portion of the San Bernardino Valley which is located in the western portion of San Bernardino County. SBVWCD is approximately 78 square miles in size.

4. **Does the application possess 100% written consent of each landowner in the subject territory?**
 No

5. **Indicate the reasons that the proposed action is requested:**
 In March 2006, the San Bernardino Local Agency Formation Commission (LAFCO), per determinations and findings in Resolution 2893, approved a “zero” sphere of influence for SBVWCD. LAFCO’s position at that time was that a single water conservation entity should address the water conservation services in the Bunker Hill Groundwater Basin, and SBVWCD should be consolidated with the San Bernardino Valley Municipal Water District (SBVMWD) in the future. The “zero” sphere was determined by LAFCO to be “...subject to review and change in the event a future significant change of circumstances so warrants.”

 In July 2008, a proposed consolidation the SBVWCD and the SBVMWD was denied by LAFCO. Since that time, SBVWCD has undertaken a strategic planning process to redefine its future goals and direction and to plan proactively for its future service to the community. Central to SBVWCD’s proposed strategy is a purposeful shift towards external affairs – outreach, collaboration, partnership and joint cooperation with others.

 To implement that strategy, in December 2011, the SBVWCD agreed to enter into a joint agreement with SBVMWD and the Western Municipal Water District (WMWD) to establish a cooperative partnership among all three agencies, to jointly manage groundwater resources in the Bunker Hill Basin area of western San Bernardino County. In December 2012 all three districts executed the agreement to memorialize the individual district operational and management responsibilities.

In summary, the joint agreement results in additional public benefits and an overall reduction in costs through an efficient division of labor among the three participating public agencies. The joint agreement requires that:

SBVWCD will:

- Lease its recharge basins and other land to WMWD for joint recharge use and development of new water recharge facilities
- Operate and maintain new and existing facilities
- Manage funding and reserves according to the District Reserve Policy, with review and input from WMWD and SBVMWD
- Credit groundwater charge for water pumped by WMWD and SBVWCD against lease payments
- Coordinate with SBVMWD and mining entities for water spreading

WMWD and SBVMWD will:

- Help fund the groundwater enterprise by paying SBVWCD \$400,000 annually (adjusted by the CPI)
- Obtain all permits for new facilities
- Fund repair and replacement of new facilities
- Coordinate operations to minimize interference with mining
- Cooperate with SBVWCD on planning for the Santa Ana River Wash

All agree to:

- Establish and participate in a Joint Operations Committee
- Cooperate on surface water diversions
- Coordinate recharge via BTAC and Regional Conjunctive Use Plan
- Pledge existing water rights to the basin and refrain from contesting rights
- Abstain from exporting native water from the basin except via BTAC and Watermaster
- Consolidate prior agreements and give priority to increasing water supplies and recharge of the groundwater basin

The proposed sphere of influence amendment proposes to delete the “zero” sphere designation for SBVWCD and establish a sphere of influence that includes the current SBVWCD boundaries and an additional 2045 acres as depicted on attached Exhibit A - “Potential Sphere of Influence Change.” The proposed sphere expansion area (beyond the District’s boundaries) includes territory along the Santa Ana River (depicted in green - 2045 acres).

The SBVMWD, WMWD, and many other local districts and communities support the proposed sphere of influence amendment for the SBVWCD.

6. **Would your proposal create a totally or substantially surrounded island of unincorporated territory?**

No, eliminating one.

LAND USE AND DEVELOPMENT POTENTIAL

1. Total land area (defined in acres):

The SBVWCD comprises approximately 50,000 acres (approximately 78 square miles) within San Bernardino County. The proposed sphere of influence amendment includes the District's current territory and an additional 2045 acres located outside the District's current boundaries.

2. Current dwelling units in area:

The District's water conservation activities primarily support the communities of San Bernardino, Loma Linda, Redlands and Highland, the unincorporated County area of Mentone, and various County islands within incorporated cities. According to the 2010 Census, these communities currently contain approximately 121,500 dwelling units.

3. Approximate current population in area:

The District's water conservation activities primarily support the communities of San Bernardino, Loma Linda, Redlands and Highland, the unincorporated County area of Mentone, and various County islands within incorporated cities. The 2010 Census for these communities indicates a population of approximately 364,000 residents.

4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s):

The territory within the SBVWCD includes both incorporated and unincorporated areas. Because the San Bernardino Valley Water Conservation District boundaries encompass a majority of the eastern San Bernardino Valley, the area includes approximately 18 different County and city General Plan land use designations. The designations include a range of residential, commercial, industrial, agricultural and open space designations.

5. Describe any special land use concerns expressed in the above plans.

The proposed sphere of influence amendment will not result in any land use changes or conflict with any applicable land use plans. To the contrary, it is compatible with the Integrated Regional Water Management Plan, a multi-agency effort that provides for cooperative water resource management throughout the San Bernardino Valley.

6. Indicate the existing and proposed land use.

The present and planned land uses in the area comprising the SBVWCD represent varying levels and intensities of urban development within unincorporated County areas as well as portions of the Cities of San Bernardino, Highland, Loma Linda, Redlands and the unincorporated

community of Mentone. Existing land uses include residential, commercial, industrial and agricultural uses.

7. For a city annexation, State laws require pre-zoning of the territory proposed for annexation. Provide a response to the following:

- a. **Has pre-zoning been completed?** Not Applicable The District does not have zoning authority.
- b. **If the response to “a” is NO, is the area in the process of pre-zoning?** Not Applicable

8. On the following list, indicate if any portion of the territory contains the following:

- **Agricultural Land Uses** Yes
- **Williamson Act Contract** Yes
- **Agricultural Preserve Designation** Yes
- **Area where Special Permits are Required** Yes
- **Any other Unusual Features of the Area or Permits Required** No

9. If a Williamson Act Contract(s) exists within the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest to the contract filed with the County by the City. Please provide an outline of the City’s anticipated actions with regard to this contract.

Not applicable

10. Will the proposal require public services from any agency or district which is currently operating at or near capacity (including sewer, water, police, fire or schools)?

No

ENVIRONMENTAL INFORMATION

1. Provide general description of topography:

The topography generally slopes from the foothills of the San Bernardino National Forest down to the San Bernardino Valley floor. The Santa Ana River is a major feature traversing the area, providing a major water supply source for groundwater recharge as well as drainage and flood control.

2. Describe any existing improvements on the sites as % of total area.

The District’s current boundaries include more than 1000 acres of existing groundwater recharge area including recharge basins. These basins are proposed to be managed in conjunction with WMWD and SBVMWD, who both require additional facilities to accommodate recent water right permits obtained from the State Water Resources Control board. Together, the three districts propose to manage existing facilities, and develop new ones on the Conservation District’s land, together, allocating funding and maintenance responsibilities under

an agreed management structure. Amendment of the Sphere of Influence will not only provide underlying stability to this agreed facility sharing and development agreement, but also bring additional water producing stakeholders into the District's boundaries, with a more direct voice in the District's operation and financing of recharge operations.

3. Describe the surrounding land uses:

NORTH	San Bernardino National Forest
EAST	San Bernardino National Forest
SOUTH	Urban and suburban development within the County of Riverside
WEST	Urban and suburban development within the Chino Basin

4. Describe site alterations that will be produced by improvement projects associated with this proposed action (installation of water facilities, sewer facilities, grading , flow characteristics, etc.)

None. SBVMWD has already undertaken environmental review on its Master Plan of Facilities, and a portion of the facilities it plans to implement will be on Conservation District property. The proposed sphere amendment will provide the needed continuity and stability to assist this capital investment to go forward.

5. Will service extensions accomplished by this proposal induce growth on this site? Adjacent sites?

No

6. Is this project a part of a larger project or series of projects?

No

NOTICES

Please provide the names and addresses of persons who are to be furnished mailed notice of the hearing(s) and receive copies of the agenda and staff report.

Daniel B. Cozad, General Manager
San Bernardino Valley Water Conservation District
1630 W. Redlands Blvd. Suite A
Redlands, CA 92373
(909) 793-2503

Douglas Headrick, General Manager
San Bernardino Valley Municipal Valley Water District
390 E. Vanderbilt Way
San Bernardino, CA 92408
(909) 387-9200

John Rossi, General Manager
Western Municipal Water District
14205 Meridian Parkway
Riverside, CA 92518
(951) 571-7100

ATTACHMENT: Exhibit A – “Potential Sphere of Influence Change”

SUPPLEMENT SPHERE OF INFLUENCE CHANGE

INTRODUCTION: The questions on this form are designed to obtain data about the specific sphere of influence change proposal to allow the Commission, staff and others to adequately assess the project. You may also include any additional information that you believe is pertinent. Use additional sheets where necessary, and/or include any relevant documents.

1. **Please provide an identification of the agencies involved in the proposed sphere of influence change(s):**

San Bernardino Valley Water Conservation District
1630 W. Redlands Blvd., Suite A
P.O. Box 1839
Redlands, CA 92373

2. **Provide a narrative of the following factors of consideration as outlined in Government Code Section 56425.**

The present and planned land uses in the area, including agricultural and open-space lands.

The present and planned land uses in the area of the SBVWCD represent varying levels and intensities of urban development within unincorporated San Bernardino County as well as portions of the Cities of San Bernardino, Loma Linda, Redlands and Highland. The SBVWCD comprises approximately 50,000 acres (approximately 78 square miles) within San Bernardino County.

Because the SBVWCD's boundaries encompass a majority of the eastern San Bernardino Valley, the area includes a range of County and city General Plan land use designations. The designations allow for varying densities of residential, commercial, industrial, agricultural and open space uses.

The present and probable need for public facilities and services in the area.

The present and probable need for the services provided by SBVWCD to sustain the Bunker Hill Basin will continue and expand as the population of this portion of the Valley continues to experience growth. The entire basin area experiences drought conditions, water contamination, and growth in the use of groundwater supply. Water conservation is a need within the entirety of the basin, not just the eastern portion as defined by the boundaries of the SBVWCD.

To address this issue, in December 2011, the SBVWCD agreed to enter into a joint agreement with the San Bernardino Valley Municipal Water District (SBVMWD) and the Western Municipal Water District (WMWD) to establish a cooperative partnership among all three agencies to jointly and comprehensively manage groundwater resources within western San Bernardino County. In December 2012 all three districts executed the agreement to memorialize the individual district operational and management responsibilities. The joint agreement results in additional public benefits and a reduction in costs through an efficient division of labor among the cooperating public agencies.

The Wash Area below Alabama street was not historically included in the District Boundary. This area is requested to be included within the SBVWCD's sphere of influence (see Exhibit A – "Potential Sphere of Influence Change"). This requested area will likely have somewhat limited residential or commercial development, but is critical to the proper management of water resources and managing water supply and level. This area will add approximately 2045 acres.

The present capacity of public facilities and adequacy of public services that the agency to be expanded provides or is authorized to provide.

As outlined above, in December 2012, the SBVWCD entered into a joint agreement with the SBVMWD and the WMWD to jointly manage groundwater resources within western San Bernardino County. This strategic, comprehensive approach to groundwater management will maximize the agencies' financial and operational resources by dividing responsibilities and sharing resources:

SBVWCD will:

- Lease its recharge basins and other land to WMWD for joint recharge use and development of new water recharge facilities
- Operate and maintain new and existing facilities
- Manage funding and reserves according to the District Reserve Policy, with review and input from WMWD and SBVMWD
- Credit groundwater charge for water pumped by WMWD and SBVWCD against lease payments
- Coordinate with SBVMWD and mining entities for water spreading

WMWD and SBVMWD will:

- Help fund the groundwater enterprise by paying SBVWCD \$400,000 annually (adjusted by the CPI)
- Obtain all permits for new facilities
- Fund repair and replacement of new facilities
- Coordinate operations to minimize interference with mining
- Cooperate with SBVWCD on planning for the Santa Ana River Wash

All agree to:

- Establish and participate in a Joint Operations Committee
- Cooperate on surface water diversions
- Coordinate recharge via BTAC and Regional Conjunctive use Plan
- Pledge existing water rights to the basin and refrain from contesting rights
- Abstain from exporting native water from the basin except via BTAC and Watermaster
- Consolidate prior agreements and give priority to increasing water supplies and recharge of the groundwater

The existence of any social or economic communities of interest in the area.

The SBVWCD shares a community of interest with the San Bernardino Valley Municipal Water District and the Western Municipal Water District as joint partners in managing groundwater resources in Western San Bernardino County.

3. If the proposal includes a city sphere of influence change, provide a written statement whether or not agreement on the sphere change between the city and the county was achieved. In addition, provide a written statement of the elements of agreement (such as development standards, boundaries, zoning agreements, etc.).

Not applicable

4. If the proposal includes a special district sphere of influence change, provide a written statement: (a) specifying the function or classes of service provided by the district(s) and (b) specifying the nature, location and extent of the functions or classes of service provide by the district(s). (See Government Code Section 56425(i))

According to the San Bernardino LAFCO Policy and Procedure Manual, Section 5, the functions of the San Bernardino Valley Water Conservation District are listed as follows:

Water Conservation: Appropriation, acquisition and conservation of water and water rights for any useful purpose. Acquisition and construction of dams, reservoirs, canals, conduits, spreading basins, and sinking basin (sic) in order to conserve, store, spread and sink water.

Surveys of Water Supply and Resources: Make surveys and investigation of the water supply and resources of the Water Conservation District.

5. For any sphere of influence amendment either initiated by an agency or individual, or update as mandated by Government Code Section 56425, the following service review information is required to be addressed in a narrative discussion, and attached to this supplemental form (See Government Code Section 56430):

a. **Growth and population projections for the area.**

SBVWCD provides service to approximately 78 square miles (approximately 50,000 acres) within its current boundaries which primarily support the communities of San Bernardino, Loma Linda, Redlands, Highland and the unincorporated areas of Mentone and islands within cities. The 2010 Census indicates a population of approximately 364,000 residents within these communities. By 2020, the County projects the population to grow to approximately 460,000 residents.

b. **Present and planned capacity of public facilities and adequacy of public services.**

As outlined in Question #2 above, SBVWCD is proposing a comprehensive approach to groundwater management in the Bunker Hill Basin area through the joint resources of SBVWCD, SBVMWD and WMWD. This strategy offers a collaborative partnership to provide superior, long-term stewardship of groundwater resources in western San Bernardino County.

c. **Financial ability of agencies to provide services.**

The primary funding mechanisms for the SBVWCD are from groundwater charges, mining royalties, interest earnings, and a share of the 1% general ad valorem levy. A joint agreement executed in December 2012 provides SBVWCD with \$350,000 in annual

funding from the SBVMWD and WMWD to help support groundwater enterprise operations. The joint agreement will result in an overall reduction in costs through an efficient division of labor and resources among the three participating agencies.

d. Status of, and opportunities for, shared services.

The joint agreement between SBVWCD, SBVMWD and the WMWD will provide a partnership to manage the entirety of the Bunker Hill Basin. The agreement realizes an efficient division of labor and shared funding among public agencies to provide comprehensive, cost-effective groundwater management in the San Bernardino Valley.

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

The District is governed by a five member Board of Directors, elected within divisions. Currently the District has seven seated Board Members because the District in October 2012 acted to reduce their number of elected representatives in accordance with the requirements of SB-235. Each member of the Board is required to be a registered voter within his/her division of the District. The Board of Directors is elected to four-year terms.

Implementation of the joint operating and management agreement between SBVWCD, SBVMWD and WMWD will result in additional opportunities for public input and increased transparency through joint Board of Directors' meetings and the establishment of a Joint Operations Committee.

The narrative description shall be signed and certified by an official of the agency(s) involved with the sphere of influence review as to the accuracy of the information provided. If necessary, attach copies of documents supporting statements.

CERTIFICATION

I hereby certify that the statements furnished above present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE 8/7/13


SIGNATURE OF APPLICANT

Daniel Cozad
PRINTED NAME

General Manager
TITLE

**Service Review for Water
Conservation in the Valley Region
(May 2015)**

**(attachments on internet, accessible via
links from digital staff report)**

Attachment 3

Service Review for Water Conservation in the Valley Region



LAFCO

for San Bernardino County

May 2015

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Executive Summary

Introduction

In 2013 the Local Agency Formation Commission (“LAFCO”) for San Bernardino County initiated its second cycle service reviews undertaking them on a regional service perspective rather than the prior community-by-community approach. This initiation included the development of a Fiscal Indicators database to be used in the service review analysis as well as placing the information on the LAFCO website to provide background information to the public. The development of this program required sometime to complete and the service reviews did not move forward during this period.

During the same time period, the San Bernardino Valley Water Conservation District initiated by Board resolution an application to amend its zero sphere designation and provide for a return to its prior sphere including the territory of the Santa Ana River easterly of the I-10/I-215 interchange. Due to overlap and complexity on the subject of water and the submission of an application from the San Bernardino Valley Water Conservation District (hereafter shown as SB Valley WCD), the LAFCO service review schedule for the Valley Region has two service reviews on the water subject – one service review for water conservation and another service review for wholesale, retail, and recycled water. The next service review scheduled will encompass wholesale, retail, and recycled water which will complement this water conservation service review.

All communities and water agencies are facing increasing challenges and opportunities in their role as stewards of water resources in the region. Increased environmental regulations, drought, and competition for water from outside the Valley Region have resulted in reduced supplies of imported water. Although the rate of regional population and economic growth has slowed due to the declined economy, water demand is still projected to rise, but at a slower rate, thus putting an even larger burden on local supplies.

Service Review Determinations

LAFCO staff responses to the requirement for written statements of the determinations outlined in Government Code 56430 for a service review are summarized below and incorporate the districts’ responses and supporting materials.

Determination I - Growth and population projections for the affected area

Within San Bernardino County, the Valley Region is the most densely populated area, with 73% of the population within it, but accounting for only 2.5% of the county’s land area. Based on these figures, the estimated population density of the Valley Region is approximately 2,977 persons per square mile, which is similar to neighboring Los Angeles and Orange Counties.

The 2014 estimated population is 1.5 million, and projections identify the Valley to grow at a rate of 0.3% annually through 2020. It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and

its analysis in conjunction with Southern California Associated Governments ("SCAG") projections provides a projected population of 2.1 million in 2045. The 2045 figure would be roughly twice that of 1990, with presumably twice the density overall.

The population projections do not include the heavy daily business, commercial, education and industrial activities. Further, the transient traffic on Interstates 10 and 15 (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. All of this signals that the Valley Region is one of the most densely populated and traveled parts of the state and that conjunctive use of water resources will only intensify for the already impacted groundwater basins.

Determination II - The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

The Valley Region as defined by LAFCO contains 75 square miles of unincorporated territory (15% of the Valley Region). Of that 75 square miles of unincorporated territory, 32 square miles (or 43%) is classified as a disadvantaged community; although some of that area includes government-owned, open space, or park land.

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

Integration of flood and stormwater management strategies with recharge and conjunctive use opportunities contributes to water supply reliability in the region. The San Bernardino Valley region has been significantly urbanized over the past several decades and the area continues to grow with numerous in-fill development projects. As the amount of impervious surface increases with urbanization, the runoff, and, therefore, storm and flood flows are also increasing. Without adequate flood control systems to capture and contain these surface waters for recharge, the opportunities for water supply, water quality, and environmental improvement are greatly lessened or lost. Therefore, formulating strategies to further capture storm runoff and use it for recharge of the groundwater basins will provide both flood management and water supply benefits to the region.

As identified by the Department of Water Resources, the Chino Basin, Bunker Hill, and Riverside-Arlington basins have been designated as High Priority basins and the other basins as Medium Priority basins for future monitoring. Within the Chino Basin, storm water recharge has declined significantly since FY 2010-11 (due to the drought), being less than the storm water recharge average during the previous 10 years. Recycled water was first considered a recharge source to reduce reliance on imported water from the Metropolitan Water District of Southern California. However, due to the current drought and restrictions placed upon the State Water Project, recycled water has now become a necessity for the basin. In the San Bernardino Basin Area, groundwater storage is now at the lowest level in recorded history, easily surpassing the previous low

point in 1964, which took place at the end of a 20-year drought. In turn, multiple recharge and recovery projects are moving forward to be able to capture and use as much of the local supply as possible in order to lessen reliance on the State Water Project.

In response to efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by 2020), nor 2) responsible for helping the retail agencies within their respective boundary achieve their water use reductions as the water conservations districts are not “urban wholesale water providers”. The Inland Empire Garden Friendly program was developed by the four major water suppliers of western Riverside and San Bernardino counties with cooperation from a university institute, conservation district and local botanic garden. The Inland Empire Garden Friendly program was created to assist consumers in locating and learning about climate-appropriate plants for the Inland Empire.

Specific to the West Valley portion of the region, the Chino Basin WCD has long provided water conservation sustainability services to its constituents through demonstration and education and it provides this service well. To further its demonstration and education service, it opened its Water Conservation Center campus in 2014. However, the service of Chino Basin WCD is limited to within its boundary which encompasses only a portion of the Chino Basin. Chino Basin WCD has received QWEL (Qualified Water Efficient Landscaper Board) and EPA certification as an adopter of the QWEL program and as an EPA WaterSense Labeled Professional Certification Program provider. QWEL certification is a valuable tool for consumers to be able to select landscape and maintenance professional who understand and have value for water and resource conservation. Seven district staff are QWEL certified and can teach the class to others.

For the East Valley portion of the region, the SB Valley WCD currently budgets very limited funding toward conservation education and outreach efforts. Instead, it focuses on water recharge efforts in cooperation with other agencies such as providing school and other outreach through Inland Empire Resource Conservation District. Additionally, SB Valley WCD actively supports and helps fund the iEfficient initiative, leads a Basin Technical Advisory Committee subcommittee for landscape education for implementing the qualified water efficient landscaper program (QWEL), and has a certified trainer on staff.

Determination IV - Financial ability of agencies to provide services

The Chino Basin WCD has a high unassigned fund balance that seems disproportionate to the services the district provides. MUNI had an unrestricted Net Position of \$108 million at June 30, 2013, a substantially high figure. The Board of Directors has designated \$18 million of this reserve to be retained for the purpose of self-insuring the district against any claims made against it.

SB Valley WCD has recently come out of a difficult financial time which began in 2008 and continued through 2011. This situation mirrored the overall economic slow-down; however, the effect on the district was more severe because all sources of its revenues were impacted at the same time. Since this time the district has revised its financial structure, reduced costs and implemented various policies that will reduce the likelihood and severity of these occurrences in the future. The district implemented cost reductions documented in the annual budgets including the reduction from seven to five divisions for the board of directors as allowed by special legislation (SB-235). In 2011 and 2012 the Groundwater Charge was increased by 25% and 15% respectively to allow the groundwater fund to raise adequate revenue to operate the facilities within its financial ability without subsidy from the district reserves or other enterprises. The district has high liquidity, no long-term debt, and meets its service obligations (after capital projects). Therefore, a high unassigned fund balance seems disproportionate to the services the district provides. In response to the review of the draft staff report, SB Valley WCD has provided additional information that identifies that it has a counter-cyclic revenue and expense cycle and that without accumulating this reserve rates would be highly variable. The District has also identified that it is presently designing capital improvements which will use much of the reserve attributed to groundwater. Should the district desire to actively provide habitat management and enhancement (related to the Wash Plan) beyond its own properties, it would need to receive special legislation to expand the scope of its authorized activities as well as submit an application to LAFCO to request authorization to provide said service under the provisions outlined in Government Code Section 56824.10 et seq.

Chino Basin WCD, IEUA, and MUNI are subject to an appropriations limit as outlined in the State Constitution. San Bernardino Valley WCD is not subject to the appropriations limit as it was determined to be exempt due to its limited tax rate in 1977-78. IEUA and MUNI annually adopt the limit as part of its budget process. A review of the audits for IEUA and MUNI does not identify a review of the annual calculation of the limit as required by the Constitution. LAFCO staff recommends that IEUA and MUNI include this requirement in future audits. Chino Basin WCD established its appropriations limit on January 12, 2015 and has indicated it will be reviewed in future audits.

Determination V - Status of, and opportunities for, shared facilities

Throughout the Valley Region there are numerous partnerships between Flood Control District, the municipal water districts, and the water conservation districts for storm water capture. This symbiotic relationship produces both economies of scale and duplication of service. As long as there are multiple agencies authorized to provide stormwater capture the opportunity to share facilities will remain.

Determination VI - Accountability for community service needs, including governmental structure and operational efficiencies

Within at least the past ten years, the two water conservation districts have not consistently yielded enough candidates for the board of directors to field competitive elections. This has resulted in the majority of the seats being filled by appointments in lieu of election. The elections for the Municipal Water Districts are more competitive:

IEUA has had an election for at least one board member in eight out of the last ten election cycles; and MUNI has had an election for at least one board member in seven out of the last ten election cycles.

Given the determinations of this service review, LAFCO staff's position is that one of two options should be supported by the Commission: (1) the consolidation of the two Water Conservation Districts into a single Water Conservation District serving the entirety of the Valley region and bringing the educational opportunities to a much broader constituency, or (2) two water conservation districts should consolidate with its respective overlaying municipal water district.

The first scenario of a single Water Conservation District encompassing the Valley has not been supported by any of the districts citing such concerns as separate basin activities and resources to the location of operations and governance. While this scenario would provide direct control of the consolidation process by the Water Conservation Districts and provides for a means to extend the conservation educational elements to all of the urban valley region, it appears that it has been discounted by all involved in the study. Without support from some quarter of the affected agencies, success would not be anticipated.

Turning to option two, consolidation with the respective Municipal Water Districts, for SB Valley WCD, a proposed consolidation of the SB Valley WCD and the San Bernardino Valley Municipal Water District was denied by LAFCO on the basis that the financial and structural issues identified by staff were being addressed by the District and consolidation would not offer an assurance of the continued services. During the processing of this service review, both the SB Valley WCD and MUNI have outlined their reluctance to consolidate given the contentious nature of the previous process and the deep and painful wounds that linger. However, as a part of this service review these agencies, along with East Valley Water District, have submitted an outline to form a Groundwater Sustainability Council ("Council") for stormwater capture, water import funding, and groundwater recharge which they are circulating to the east valley retailers. This effort proposes a means or mechanism to coordinate key functions and shared services and facilities, absent formal consolidation. The Council would be the responsible entity for ensuring adequate stormwater capture, imported water funding, and groundwater recharge efforts. The Council would be composed of the general managers of the water producers from the basin. While this scenario does not achieve consolidation it moves toward shared services and facilities, and it provides a means to move towards more efficient provision of this service in the East Valley area. While not the preferred method for service provision, LAFCO staff would support this option absent a desire for consolidation by the agencies. The one caveat with the structure is that the general managers form the council rather than elected officials which does not allow for a true functional consolidation as a joint powers authority would. Given the proviso identified above, LAFCO staff supports this effort and in doing so recommends that the Commission modify LAFCO 3173 to evaluate the alternative of modifying the SB Valley WCD's sphere of influence to be more in line with the Council's proposed efforts.

For the West Valley, efforts and sentiments to dissolve the Chino Basin WCD date back to at least 1969 based on the reasoning that the district's functions and services could be assumed by an overlying agency that has the same authorized functions and services (IEUA or Flood Control District). Given the information gathered and the determinations of this service review, LAFCO staff's position is that the best option for continuing the level of service currently offered for the entire West Valley would be for the Chino Basin WCD to consolidate with the IEUA. Should these districts not desire to put forth an application to LAFCO, the formation of an alliance, joint powers authority, or council similar to that as being proposed in the East Valley, as identified above, would move towards achieving greater economies of scale. Therefore, LAFCO staff recommends that the Commission initiate a sphere of influence proposal to evaluate an expansion of the Chino Basin WCD's existing coterminous sphere.

In order to address these recommendations, LAFCO staff is proposing that the Commission:

- Initiate a sphere of influence review for the Chino Basin Water Conservation District to include analysis of the following alternatives:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of IEUA;
 - Expansion to include the whole of the Chino Basin; or,
 - Designation of a zero sphere of influence.
- Modify LAFCO 3173 to include the analysis of the following alternatives for consideration:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of MUNI,
 - Include the whole of the Bunker Hill Basin, or
 - The request initiated by the District to expand the sphere of influence from its current zero sphere designation to include the district's boundary plus an additional 1,973 acres.

Continued Monitoring of the Districts by LAFCO

This service review identifies 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 continued monitoring of the districts is warranted and that LAFCO staff be directed to return to the Commission every six months until all of the items below are satisfied.

Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District

Section 1.5 of the State Constitution reads that the annual calculation of the appropriations limit (Gann Limit) for each entity of local government shall be reviewed as part of an annual financial audit. A review of the audits for IEUA and MUNI does not identify the annual calculation of the limit. LAFCO staff recommends that these agencies include this requirement in future audits.

Chino Basin Water Conservation District

Chino Basin WCD administers landscape and irrigation audits in partnership with IEUA and the eight member retail member agencies, and other agencies contract with the district to provide conservation programs on its behalf outside the Chino Basin WCD boundary.

Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. Even though the district's parent act, Water Conservation District Law of 1931, does not explain this circumstance, Section 56133 subjects all those agencies under LAFCO purview to this requirement. However, the law provides for exemptions and one such exemption is for contracts or agreements solely involving two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.

Should it be necessary to request an exemption on the basis of two government agencies contracting for service, LAFCO staff recommends that the district submit an application to LAFCO requesting an exemption under Government Code 56133(e) in order to provide service outside of its jurisdiction.

Introduction

LAFCO Authority

In 2000, state legislation designated Local Agency Formation Commissions as the agency to conduct a review of municipal services within each county.¹ Having jurisdiction for 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 regional basis. The initial round of service reviews for the Valley Region were conducted between 2002 and 2004 and were organized by community.

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).

Second Round of Service Reviews

For the second round of service reviews, LAFCO is reviewing each region of the County (Valley, North Desert, South Desert, and Mountain) by service. This is the first service review of the second round for the Valley region, defined by the Valley Service Zone of the San Bernardino County Fire Protection District, generally described as extending from the Los Angeles and Orange County Lines eastward to Oak Glen, from the Riverside County line northward extending beyond the National Forest Boundary. Note that the Valley description is general and does not preclude the review from extending beyond the described boundary.

Two Service Reviews for Water

The topic and service of water is multi-faceted which includes overlap of subject matter and agencies that provide a variety of water-related services. For example, groundwater recharge operations include surface water, stormwater, imported water, and reclaimed water. Further, the Inland Empire Utilities Agency (a municipal water district) and San Bernardino Valley Municipal Water District both provide wholesale water, and the flood control efforts of the San Bernardino County Flood Control District have been used in part for groundwater recharge. Due to overlap and complexity of the subject, the LAFCO service review schedule has two service reviews on the topic – one service review for water conservation and another service review for wholesale, retail, and recycled water.

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.

Application to Expand the Sphere of Influence

The San Bernardino Valley Water Conservation District submitted an application to LAFCO requesting expansion of its sphere of influence from a zero sphere designation to one that extends beyond its boundary to include territory along the Santa Ana River (LAFCO 3173). As required by law, a service review must be conducted in conjunction with a sphere of influence application. For this reason, the first service review for the Valley is for water conservation. The next service review will encompass wholesale, retail, and recycled water which will complement this water conservation service review.

Subsequent Service Reviews and Sphere of Influence Updates

Subsequent service reviews will include, but not be limited to, wastewater collection/treatment/reclamation, law enforcement, fire protection/emergency medical services/ambulance, park and recreation, streetlights, solid waste, etc.

In each service review, staff may recommend a sphere of influence update which would require a separate action and environmental analysis by the Commission.

Water Conservation Service Review

Water conservation can be defined as practices, techniques, and technologies that improve the efficiency of water use. Increased efficiency expands the use of the water resource, freeing up water supplies for other uses, such as population growth, new industry, and environmental conversation.²

Efforts to Reduce Consumer Consumption through Education and Outreach

When one hears the phrase “water conservation”, generally the first thing that comes to mind is reducing consumer consumption and misuse. Water conservation programs involved in social solutions are typically initiated at the local level, by either municipal water agencies or regional governments. Common strategies include public outreach campaigns, programs such as cash for grass, tiered water rates (charging progressively higher prices as water use increases), and restrictions on outdoor water use such as lawn watering and car washing. Cities in dry climates often require or encourage the installation of xeriscaping or natural landscaping in new homes to reduce outdoor water usage. The Environmental Protection Agency’s use of the term deals with actions that lead to projects that reduce water use and intensity.³ Further, the Water Conservation Act of 2009 (California Senate Bill SBX7-7) requires a 10% demand reduction by 2015 and 20% by 2020. Fittingly, reducing consumer consumption and eliminating misuse is the first conjuring of the term “water conservation”.

² *Water Conservation Programs: A Planning Manual*, American Water Works Association, M52 First Ed., 2006.

³ Environmental Protection Agency. <http://www.epa.gov/greeningepa/water/index.htm>. Accessed 18 September 2014. Last updated 5 November 2012.

Governor's Executive Order

For the first time in California's history, urban water suppliers will soon be required to comply with new mandatory restrictions aimed at achieving a statewide 25 percent reduction in potable urban water use. Under an executive order issued by Gov. Jerry Brown on April 1, 2015, the State Water Resources Control Board will develop, impose and enforce the mandatory water reduction measures, which will apply to local agencies that supply water to cities and towns across California. The Executive Order comes as water supplies continue to decline due to the severe drought gripping the state. The Order will have far-reaching implications for urban water suppliers, which will be required to develop rate structures and other pricing mechanisms, including new surcharges, fees and penalties, designed to maximize water conservation. The new restrictions will require water suppliers to cities and towns to reduce usage, as compared to the amount used in 2013. The Water Board will consider the relative per capita water usage of the service area of each water supplier, and require that areas with high per capita use achieve proportionately greater reductions than those with low use.

Natural Replenishment of the Basin

However, for governmental service there is another meaning, one which deals with water conservation districts. San Bernardino County has two water conservation districts: the Chino Basin WCD (located in the Chino Basin in the western portion of the Valley Region) and the San Bernardino Valley WCD (located in the Bunker Hill Basin in the eastern portion of the Valley Region). The Water Conservation District Law of 1931 does not define "water conservation" but authorizes water conservation districts a full range of water-related powers, to include:

- Make surveys and investigations of the water supply and resources of the district
- Appropriate, acquire, and conserve water and water rights for any useful purpose
- Conserve, store, spread, and sink water and for such purposes acquire or construct dams, dam sites, reservoirs and reservoir sites, canals, ditches and conduits, spreading basins, sinking wells, and sinking basins
- Provide for the construction, operation, and maintenance of such works, facilities, or operations within or without the district boundaries as the board deems necessary to protect the land or property in the district from damage by flood or overflow
- Pump water therefrom and thereby for sale, delivery, distribution, or other disposition
- Sell, deliver, distribute, or otherwise dispose of any water that may be stored or appropriated, owned, or controlled by the district
- Fix the rates at which water may be sold by the district

The two water conservation districts in the Valley are within the boundary of another public agency or private company that is the sole provider for: 1) wholesale, retail, and recycled water, 2) wastewater treatment, collection, and reclamation, and 3) water resource investigations (each is within an adjudicated basin with a court-appointed watermaster). Therefore, the remaining water-related powers of the water conservation districts per Water Conservation District Law of 1931 in San Bernardino County generally concerns the following: naturally replenishing the basin from surface water. The two water conservation

districts in San Bernardino County are the only water conservation districts in the state that do not provide wholesale or retail water

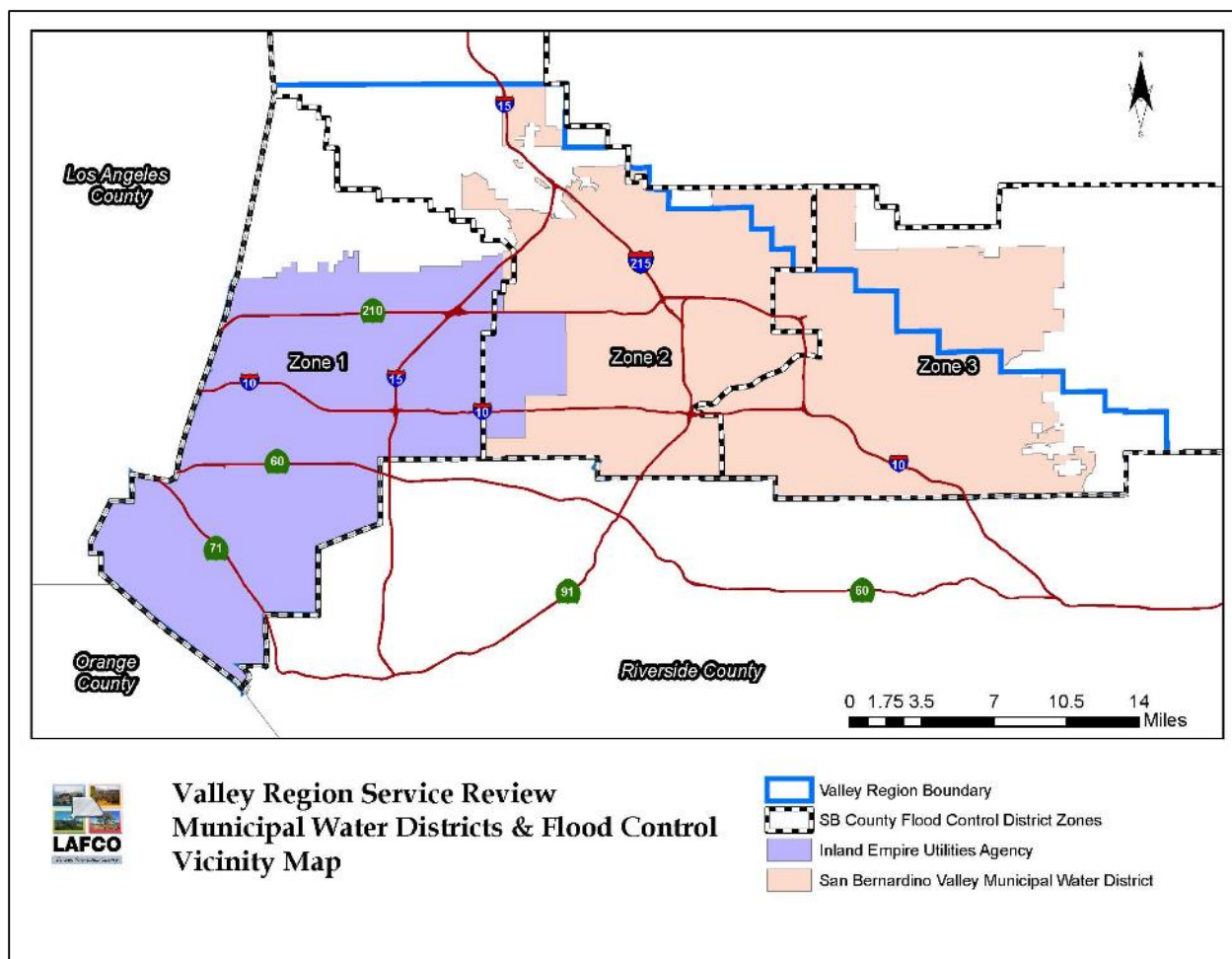
The Chino Basin WCD actively protects and replenishes the Chino Basin with rainfall and storm water discharge from the San Gabriel Mountains. Additionally, it performs water conservation education to individuals and organizations within the basin to further promote the efficient use of local water resources (hence the first meaning of the term “water conservation” as described above). The San Bernardino Valley WCD’s primary role is groundwater recharge in the Bunker Hill Basin through replenishment of the basin by spreading surface water from the Santa Ana River and Mill Creek. San Bernardino Valley WCD uses its water allocation from the Santa Ana River to channel water through a network of canals and percolation basins that naturally recharge the Basin.

Agencies Reviewed

This report reviews water conservation activities throughout the Valley Region. The four agencies that provide the majority of the natural replenishment activities are the two water conservation districts (Chino Basin WCD and San Bernardino Valley WCD) and the two overlaying municipal water districts (Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District). Correspondingly, the crux of the review is based on these agencies. Additionally, the San Bernardino County Flood Control District encompasses the entire county and its primary performed function is flood control. However, its principal act states it is authorized to “provide for the control and conservation of flood and storm waters” as well as water conservation to conserve and reclaim waters.

Location

The West and East Valley areas can generally be described by two municipal water districts and the zones to the San Bernardino County Flood Control District. The West Valley can be generally described by the Inland Empire Utilities Agency and Zone 1 of the San Bernardino County Flood Control District. The East Valley can be generally described by the San Bernardino Valley Municipal Water District and Zones 2 and 3 of the San Bernardino County Flood Control District. A map showing two municipal water districts and the flood control zones is shown below.



Agency Descriptions

Valley-wide

The San Bernardino County Flood Control District (“Flood Control District”) encompasses the entire county. The Flood Control District was formed as a special district in April 1939 after the 1938 floods in San Bernardino County, created by the San Bernardino County Flood Control Act of 1939, found in Chapter 43 of the California Water Code Appendix. Its current functions include flood protection from major streams, flood control planning, storm drain management, debris removal programs, right-of-way acquisition, flood hazard investigations, and flood operations. However, Flood Control District is authorized under its Act to:

- “provide for the control and conservation of flood and storm waters...”, and
- “prevent the waste of water...and to obtain, retain, and reclaim drainage, storm, flood and other waters and to save and conserve all or any such waters for beneficial use in said district.”,

LAFCO staff consulted with the San Bernardino County Flood Control District during the SB Valley WCD service review in 2007 (LAFCO 2919) and the position of the district's administrator was that its purpose was to move water through its facilities as quickly and safely as possible and it did not directly pursue water conservation efforts. In response to the draft staff report, the Flood Control District has clarified its position and states the following,

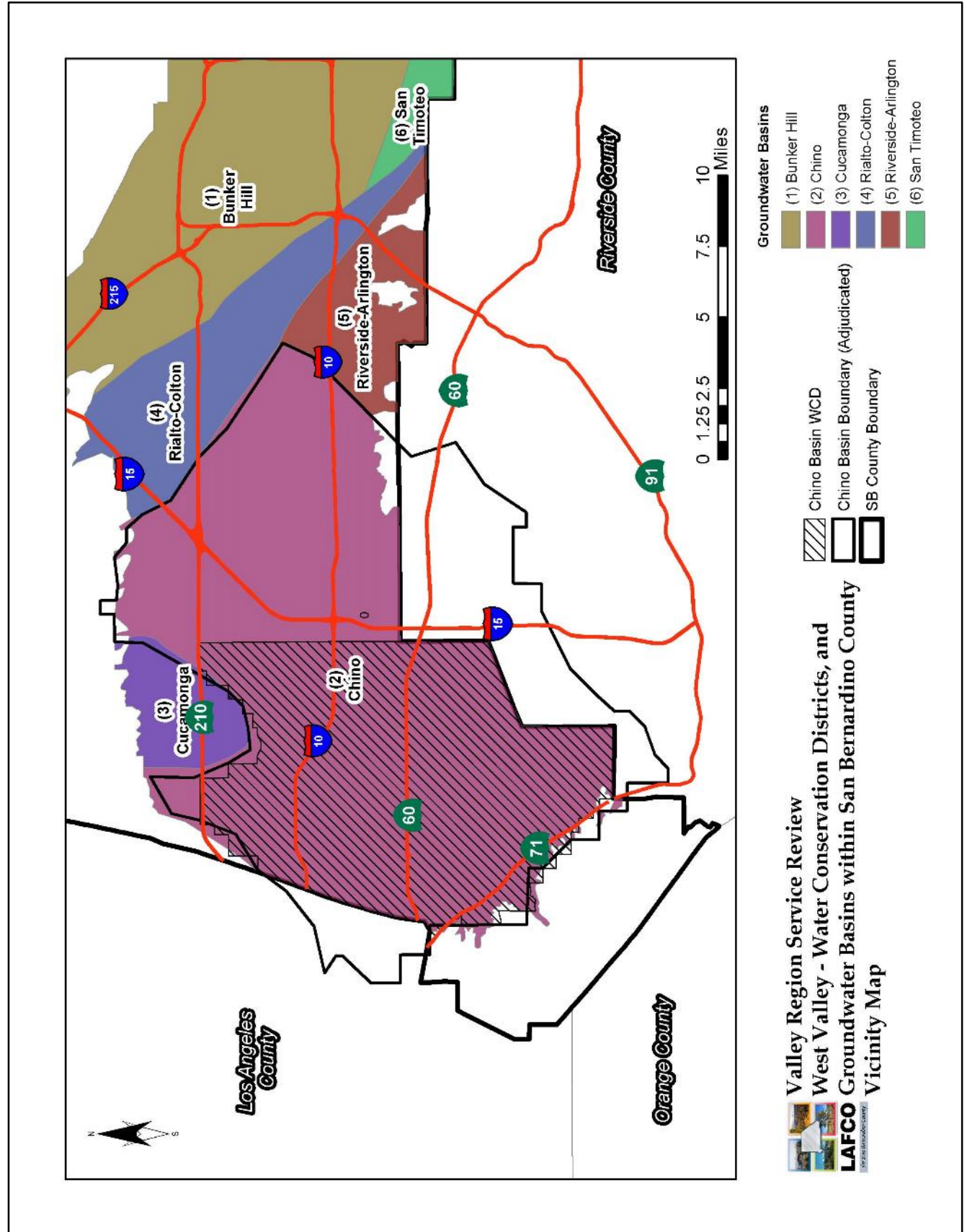
"The District has a history of actively using its facilities for water conservation purposes that dates back to 1939 when the District was formed. A number of the existing storm water detention/water conservation basins originated as spreading grounds for water conservation. The District owns and operates 120 basins that are either debris, detention, conservation basins or a mixture thereof. The District also has ownership of most of the natural creeks and rivers in the valley area where recharge also occurs.

Due to its limited resources providing flood protection for life and property has been considered the District's higher purpose, but its secondary mission of water conservation has been considered important as evidenced by the number of basins constructed by the District. A number of these facilities are operated in conjunction with water agencies in order for them to be utilized for the recharge of state project water and recycled water in order to maximize the groundwater recharge since storm water is so variable."

West Valley

The western portion of the Valley includes all or portions of the Chino and Cucamonga Groundwater Basins, including the Cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Rancho Cucamonga, and Upland.

The following agencies play a major role in actively recharging the groundwater basins or account for recharge within the west valley: Chino Basin Water Conservation District, Chino Basin Watermaster (account and implement basin management), and Inland Empire Utilities Agency. The map below shows these West Valley agencies and the groundwater basins followed by a description of each agency.



The Chino Basin Water Conservation District ("Chino Basin WCD") was formed in 1949 and has a goal to protect the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. In conjunction with the Inland Empire Utilities Agency and San Bernardino County Flood Control District, the district actively protects and replenishes the Basin with rainfall and storm water discharge from the San Gabriel Mountains. The district overlaps the western portion, or about 113 square miles, of the Chino Groundwater Basin. The district's service area includes all or portions of the cities of Chino, Chino Hills, Montclair, Ontario, Rancho Cucamonga, and Upland, and unincorporated areas of San Bernardino County. Additionally, the district's primary function has evolved into providing water conservation education to individuals and organizations within the Basin to further promote the efficient use of local water resources. The recent expansion and improvement of the district headquarters and its demonstration gardens as well as landscape techniques contribute to this public education.

The Chino Basin Watermaster ("Watermaster") is the court-appointed Watermaster for the Chino Groundwater Basin which facilitates development and utilization of the Basin. The Watermaster consists of various entities pumping water from the Basin including cities, water districts, water companies, agricultural, commercial and other private concerns. The Watermaster's mission is, "To manage the Chino Groundwater Basin in the most beneficial manner and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment", Case No. RCV 51010 (formerly Case No. SCV 164327). The Watermaster is progressively and actively implementing the Basin's Optimum Basin Management Program which includes extensive monitoring, further developing recharge capabilities, storage and recovery projects, managing salt loads, developing new yield such as reclaimed and storm water recharge and continuing to work with other agencies and entities to enhance this resource. The Watermaster is not under LAFCO purview; however its public members are.

The Inland Empire Utilities Agency, originally called the Chino Basin Municipal Water District ("CBMWD"), was formed in 1950 by popular vote of its residents to become a member agency of the Metropolitan Water District of Southern California for the purpose of importing water under the Municipal Water District Law (Water Code Section 71000 et seq). The Inland Empire Utilities Agency ("IEUA") is a wholesale water agency and does not provide any retail sales to other agencies. Since its formation in 1950, the IEUA has significantly expanded its water and wastewater utility services. These now include production of recycled water, distribution of imported and recycled water supplies, sewage treatment, co-composting of manure and municipal biosolids, desalinization of groundwater supplies and disposal of non-reclaimable industrial wastewater and brine. In 1998, the CBMWD officially became the Inland Empire Utilities Agency. The name change was meant to reflect the changes in the district's mission. IEUA's 242 square mile service mile area provides regional wastewater service and imported water deliveries to eight contracting agencies: Cities of Chino, Chino Hills, Ontario and Upland; as well as the Monte

Vista Water District, the Cucamonga Valley Water District, the Fontana Water Company⁴ and the San Antonio Water Company⁵.

Additionally, the City of Upland and Monte Vista Water District actively recharge in the West Valley and are discussed in Determination III of this report.

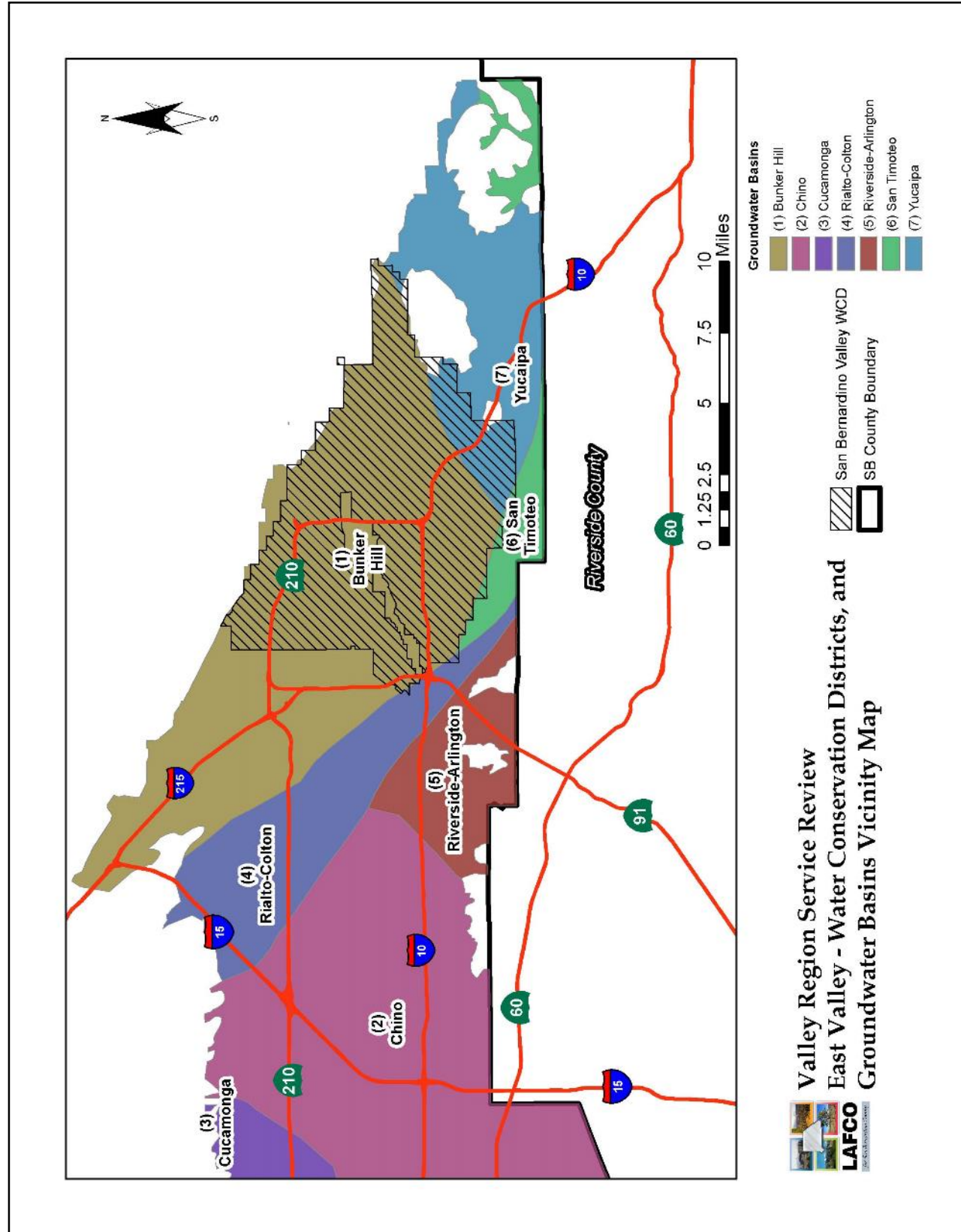
East Valley

The eastern portion of the Valley includes all or portions of the Bunker Hill, Rialto-Colton, Riverside-Arlington, San Timoteo, and Yucaipa Groundwater Basins. The East Valley includes the Cities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Highland, Grand Terrace, and Yucaipa; and unincorporated communities of Bloomington, Mentone, Muscoy and Oak Glen

The following agencies play a major role in actively recharging the groundwater basins within the general east valley: San Bernardino Valley Municipal Water District and San Bernardino Valley Water Conservation District. The map below shows these East Valley agencies and the groundwater basins followed by a description of each agency.

⁴ Fontana Water Company is a retail investor-owned utility company that provides water to approximately 190,000 residents mainly in the City of Fontana, and also serves portions of the cities of Rancho Cucamonga and Rialto as well as unincorporated area, outside the IEUA service area.

⁵ San Antonio Water Company is a retail investor-owned utility company that provides water to approximately 3,150 residents in the unincorporated area of Upland.



San Bernardino Valley Water Conservation District (“SB Valley WCD”) was formed in 1932 under the Water Conservation District Law of 1931, as amended (Water Code §§74000 et seq.). SB Valley WCD’s primary role is groundwater conservation in a portion of the Bunker Hill Basin through replenishment of the Basin by spreading surface water from the Santa Ana River and Mill Creek. SB Valley WCD uses its water allocation from the Santa Ana River to channel water through a network of canals and percolation basins that naturally recharge the Basin. The district provides the Daily Flow Report for surface water and annual Engineering Investigation Report for groundwater levels and change in storage as required by the Water Code. SB Valley WCD also serves as one of three court-appointed members of the Big Bear Watermaster, accounting for flows in and out of Big Bear Lake. The SB Valley WCD’s boundaries encompass more than 78.1 square miles and include portions of the communities of San Bernardino, Loma Linda, Redlands, and Highland, as well as the unincorporated area of Mentone and various county “islands” within the incorporated cities.

San Bernardino Valley Municipal Water District (“MUNI”) was formed in 1954 under the Municipal Water District Law of 1911, as amended (Water Code §§71000 et seq.), as a regional agency to plan for long-range water supplies for the San Bernardino Valley. As a State Water Contractor, MUNI imports water into its service area through participation in the State Water Project. MUNI also manages groundwater storage within its boundaries and serves as Watermaster for the *Western* and *Orange County* Judgments. Although MUNI’s principal act provides for a broad range of powers and services, MUNI’s primary roles in the San Bernardino Valley are to: (1) import and deliver State Water Project water to wholesale and retail water agencies in San Bernardino Valley; and (2) recharge and replenish groundwater in accordance with the *Western* and *Orange County* Judgments. MUNI’s service territory covers about 325 square miles and a population of about 600,000. MUNI spans the eastern two-thirds of the San Bernardino Valley, the Crafton Hills, and a portion of the Yucaipa Valley and includes the cities and communities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, East Highland, Mentone, Grand Terrace, and Yucaipa.

Additionally, the Beaumont-Cherry Valley Water District, City of San Bernardino Municipal Water Department, East Valley Water District, West Valley Water District, and Yucaipa Valley Water District actively recharge in the West Valley and are discussed in Determination III of this report.

LAFCO Tour of the Facilities of the Water Conservation Districts

On March 2, 2015, representatives from the LAFCO commission and staff toured the facilities of the Chino Basin WCD and SB Valley WCD. The tour consisted of the Water Conservation Center and two storm basins of the Chino Basin WCD and two spreading grounds of the SB Valley WCD.

WATER CONSERVATION SERVICE REVIEW FOR VALLEY REGION

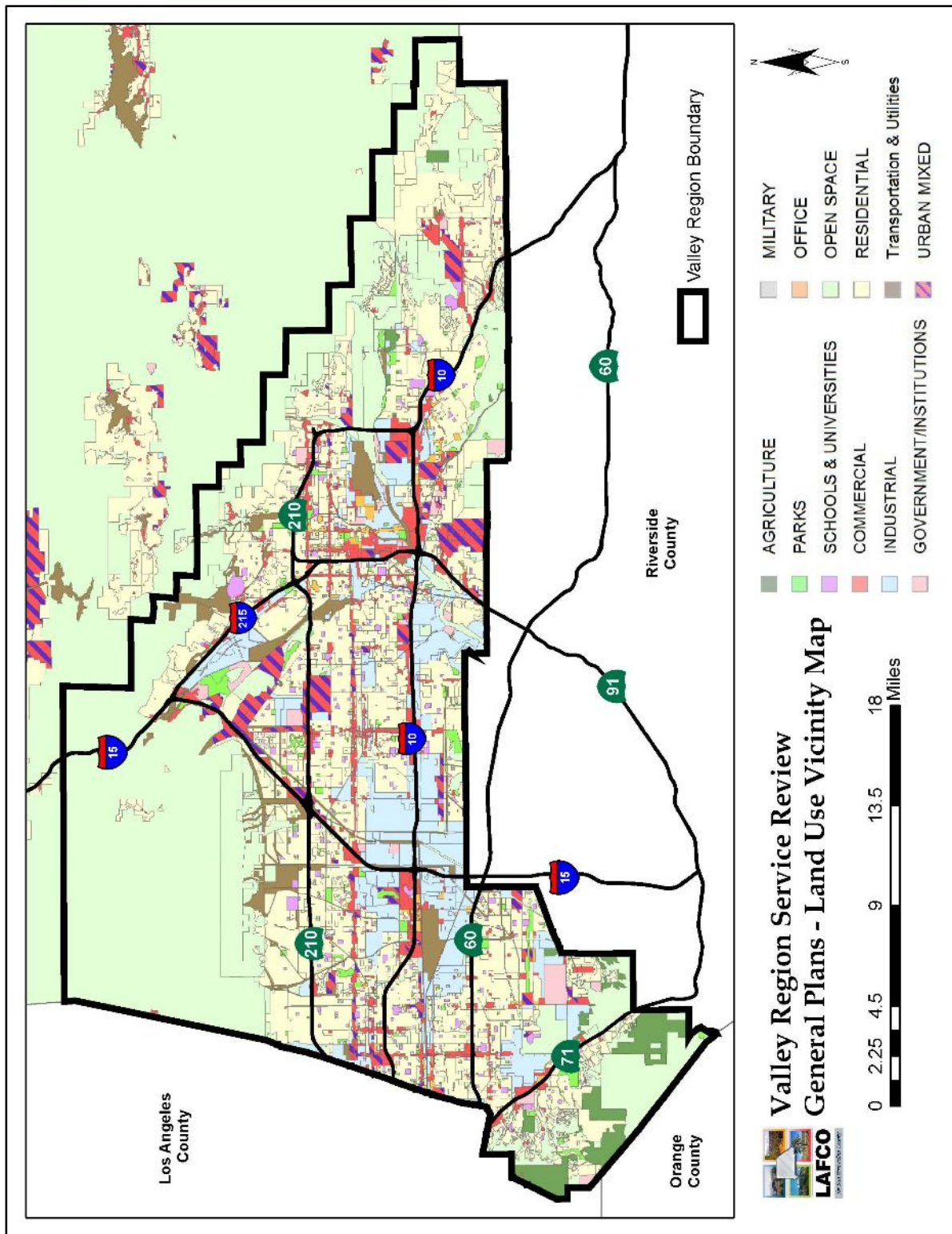
At the request of LAFCO staff the agencies provided information, were interviewed by LAFCO staff, and have been available to LAFCO staff upon request. LAFCO staff also obtained information from public sources, as well as referring to literature and other service reviews conducted in the state on water conservation. 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 agencies' responses and supporting materials.

Determination I.
Growth and Population Projections for the Affected Area

A. Land Use Designations

The map below illustrates the land use designations of each city and county jurisdiction within the Valley Region. As shown, residential, urban mixed, and industrial uses are prevalent in the urbanized areas with commercial interspersed. Parks and Open Space are heavy at the southwestern and eastern ends of the Valley Region.

Land Use Designations



Source: San Bernardino Associated Governments

B. Population

Within San Bernardino County, the Valley Region is the most densely populated area, with 73% of the population residing in that region, but accounting for only 2.5% of the county's land area. Based on these figures, the estimated population density of the Valley Region is approximately 2,977 persons per square mile, which is similar to neighboring Los Angeles and Orange Counties, as shown below.⁶

Population Density for San Bernardino County, San Bernardino Valley, and Peer and Neighboring Counties, 2013

County (Major City)	Persons per Square Mile
San Bernardino	104
Clark (Las Vegas)	256
Riverside	318
Maricopa (Phoenix)	436
San Diego	766
Miami-Dade (Miami)	1,345
Los Angeles	2,467
San Bernardino Valley Region	2,977
Orange (Santa Ana)	3,945

Note: San Bernardino Valley land area is from 2007 and population data are from 2012. The remaining geographies reflect land area data from 2000 and population data from 2013.

Sources: Analysis of data from the U.S. Census Bureau (Census 2000, 2012 American Community Survey 5-Year Estimates, and 2013 Population Estimates Program) and the San Bernardino County Land Use Department, 2007 General Plan

Source: San Bernardino County 2014 Community Indicators Report

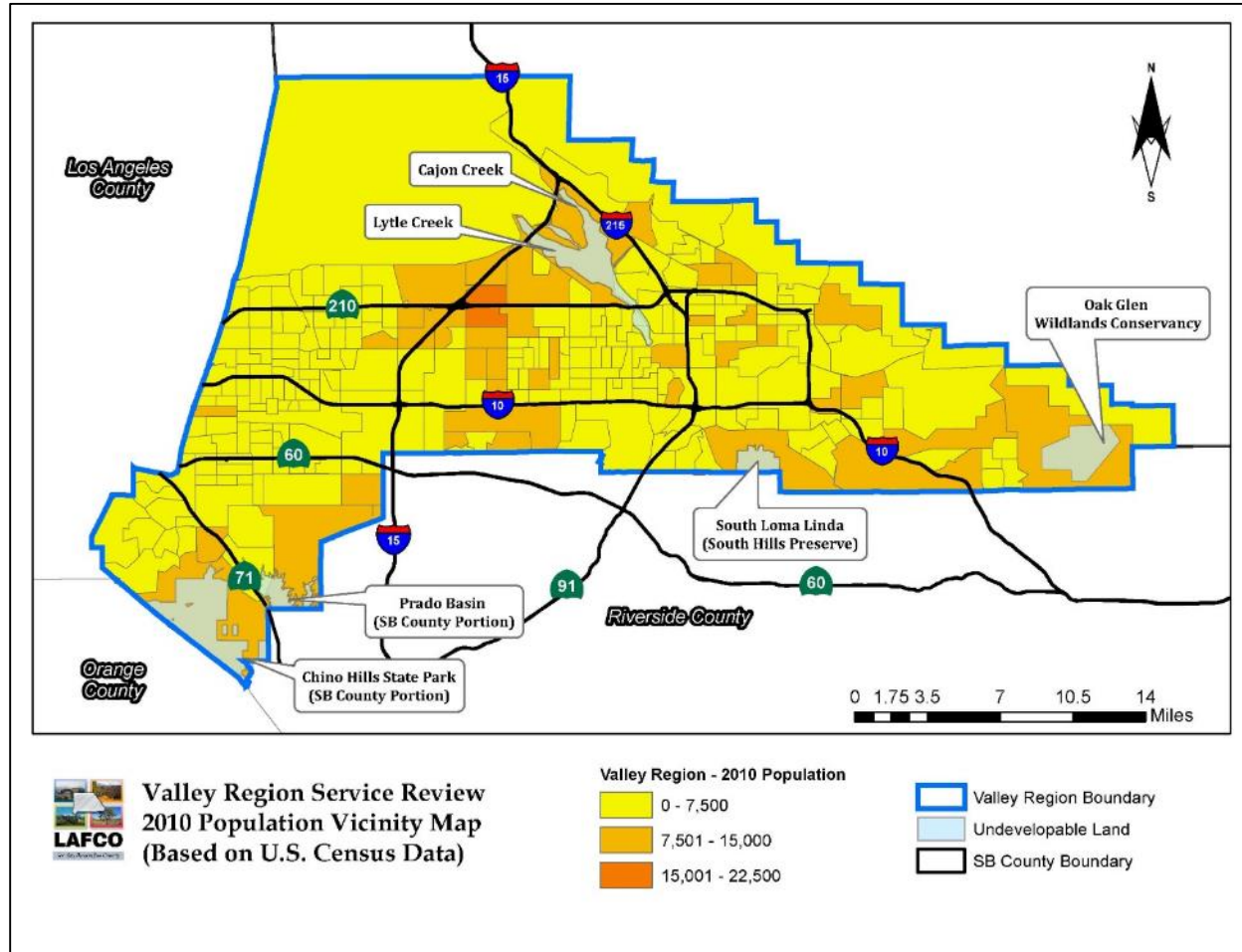
The Valley Region population increased 39% from 1990 to 2010, or at an annual rate of 1.6%. Interestingly, the Valley Region grew at a lesser rate from 2000 to 2010 during the construction boom (15%) than from 1990 to 2000 (20%). The 2014 estimated population is 1.5 million, and projections identify the Valley to grow at marked lesser rate of 0.3% annually through 2020. It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and its analysis in conjunction with Southern California Associated Governments ("SCAG") projections provides a projected population of 2.1 million in 2045. The 2045 figure would be roughly twice that of 1990 with an evident corresponding increase in population density.

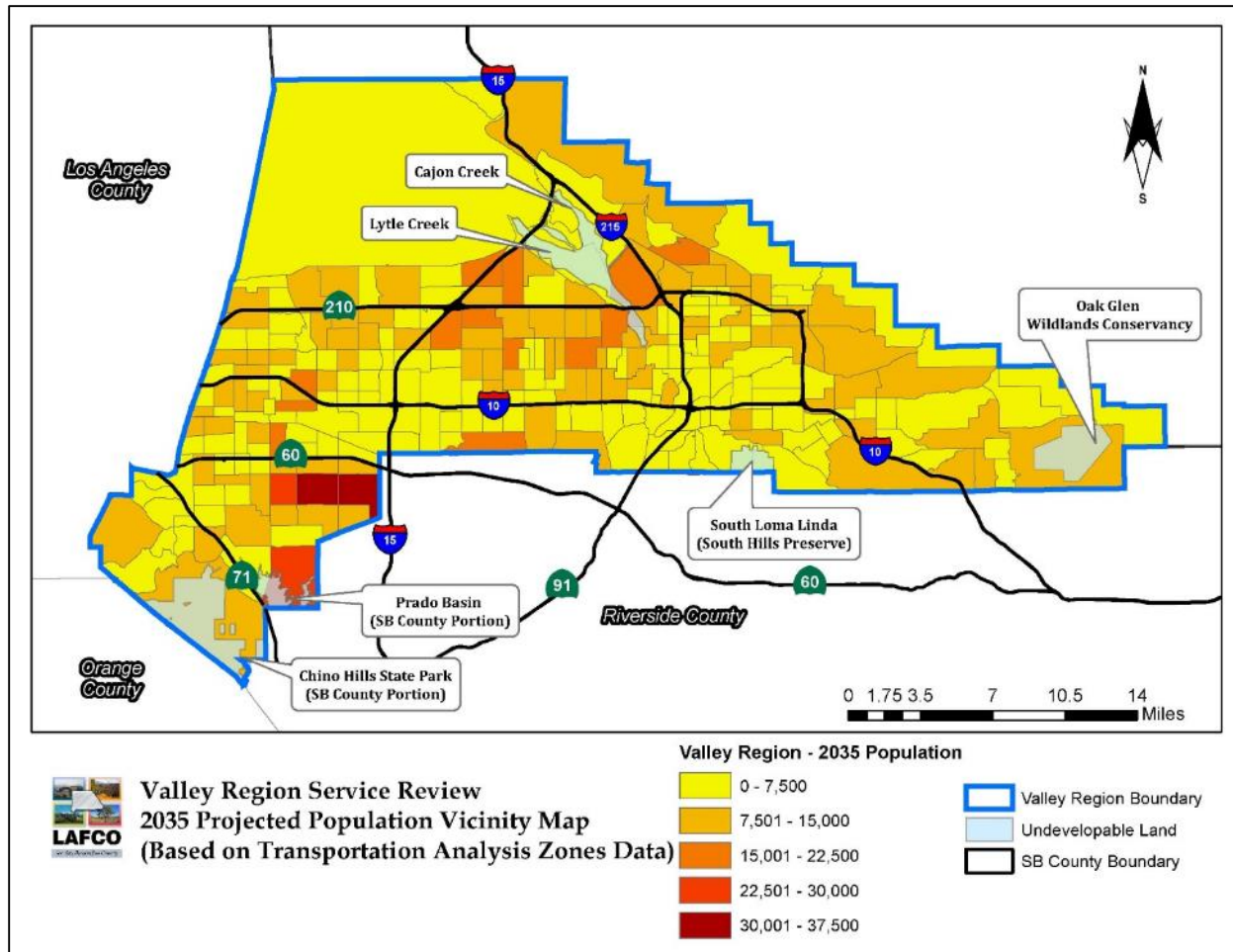
⁶ San Bernardino County 2014 Community Indicators Report, produced by The Community Foundation.

Population (2000 – 2045)

Population Source	Census			Estimate	Projected		
Year	1990	2000	2010	2014	2025	2035	2045
Valley Region							
Population	1,064,522	1,280,603	1,476,306	1,510,985	1,710,583	1,899,690	2,119,309
Annual Growth Rate	1.6%				1.1%		
sources:							
1990, 2000, and 2010 population (U.S. Census)							
2014 estimate population (ESRI)							
2025 through 2045 population (SCAG and LAFCO)							

The illustrations below shows population density from the 2010 Census and the 2035 SCAG projections.





C. Conclusion for Determination I.

Within San Bernardino County, the Valley Region is the most densely populated area, with 73% of the population residing within it, but accounting for only 2.5% of the county's land area. Based on these figures, the estimated population density of the Valley Region is approximately 2,977 persons per square mile, which is similar to neighboring Los Angeles and Orange Counties.

The 2014 estimated population is 1.5 million, and projections identify the Valley to grow at a rate of 0.3% annually through 2020. It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and its analysis, in conjunction with Southern California Associated Governments ("SCAG") projections, provides a projected population of 2.1 million in 2045. The 2045 figure would be roughly twice that of 1990, with presumably twice the density overall.

The population projections do not include the heavy daily business, commercial, education, and industrial activities. Further, the transient traffic on Interstates 10 and 15 (two of four interstates that exit Southern California to the east) has significantly

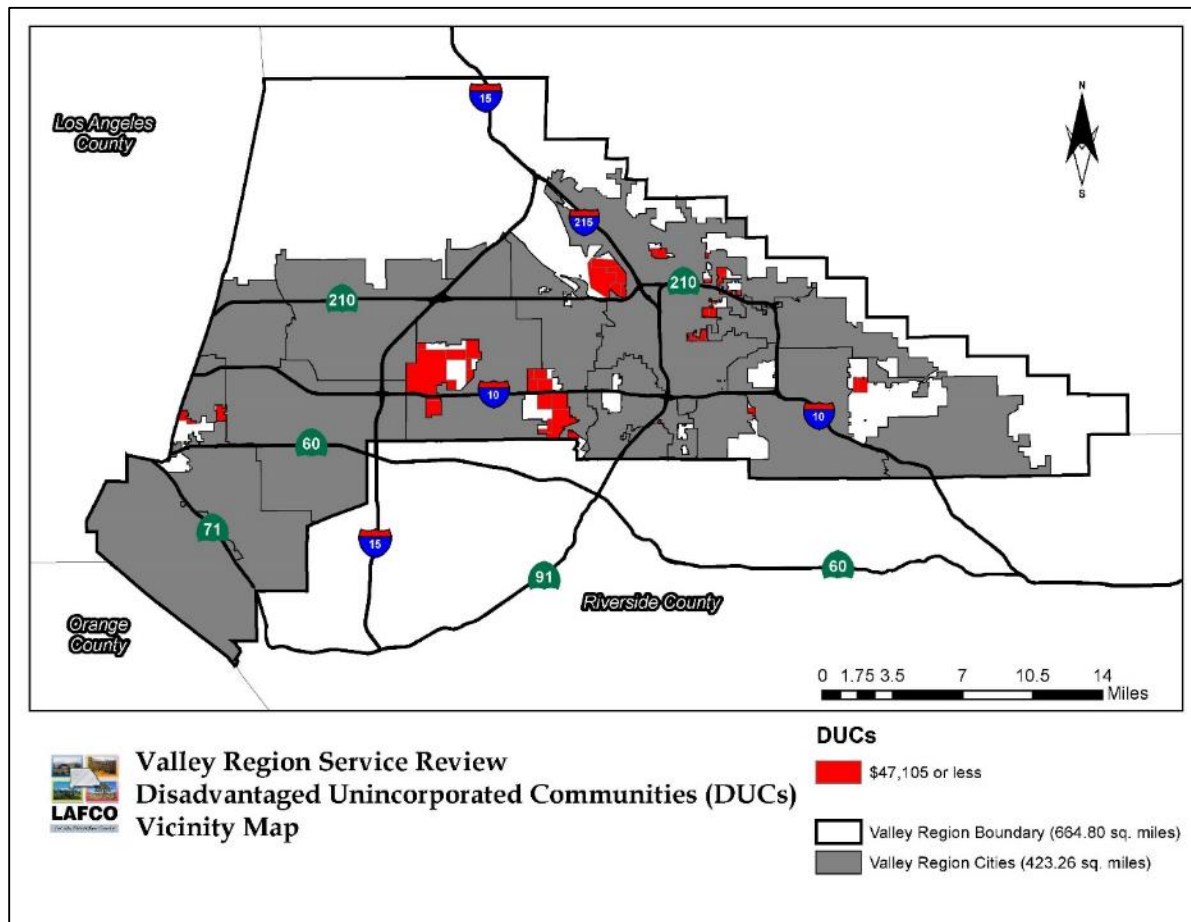
increased in volume each decade and is anticipated to continue to do so. All of this signals that the Valley Region is one of the most densely populated and traveled parts of the state and that conjunctive use of water resources will only intensify for the already impacted groundwater basins.

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.⁷ A DUC is defined by two criteria: median household income and if the area is inhabited.⁸ 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 2014, 80% of the statewide median household income was \$47,105⁹.

Second, for the purposes of defining a DUC, San Bernardino LAFCO policy defines a community as an inhabited area comprising no less than 10 dwellings adjacent or in close proximity to one another.¹⁰ Uninhabited areas include vacant or government lands. Based upon the two criteria identified, the areas shown in red on the map below are classified as DUCs (meet the median household income criteria and are inhabited).



⁷ Government Code §56430(a)(2).

⁸ §56033.5

⁹ Environmental Systems Research Institute (ESRI) Community Analyst.

¹⁰ San Bernardino LAFCO Project/Application Policy #13.

Conclusion for Determination II.

The Valley Region as defined by LAFCO contains 75 square miles of unincorporated territory (15% of the Valley Region). Of that 75 square miles, 32 square miles (or 43%) is classified as a disadvantaged community; although some of that area includes government-owned, open space, or park land.

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

This section of the report first discusses capture and recharge of surface water and stormwater/runoff followed by agency efforts to reduce consumer consumption. Recharge activities are recorded by the respective watermaster in the area: Chino Basin Water Master (in conjunction with the Inland Empire Utilities Agency) in the West Valley and San Bernardino Valley Municipal Water District in the East Valley. Due to the size of the Valley Region, for presentation purposes only, the illustrations and its associated data are organized by West Valley (generally the area of the Inland Empire Utilities Agency) and the East Valley (generally the area of the San Bernardino Valley Municipal Water District). This Determination is organized as follows:

- A. Capture and Recharge of Surface Water and Stormwater/Runoff – West Valley
- B. Capture and Recharge of Surface Water and Stormwater/Runoff – East Valley
- C. Efforts to Reduce Consumer Consumption – Valley Wide
- D. Efforts to Reduce Consumer Consumption – West Valley
- E. Efforts to Reduce Consumer Consumption – East Valley

Over the next 25 years, the Valley Region population is expected to significantly increase. It is paramount that the agencies recognize the need to develop and promote programs that protect existing water resources for the region's sustainability and future growth. Conservation and the efficient use of water is the most cost-effective source of water supply reliability and are essential to meeting the Valley region's current and future demand.

A. Capture and Recharge of Surface Water and Stormwater/Runoff – West Valley

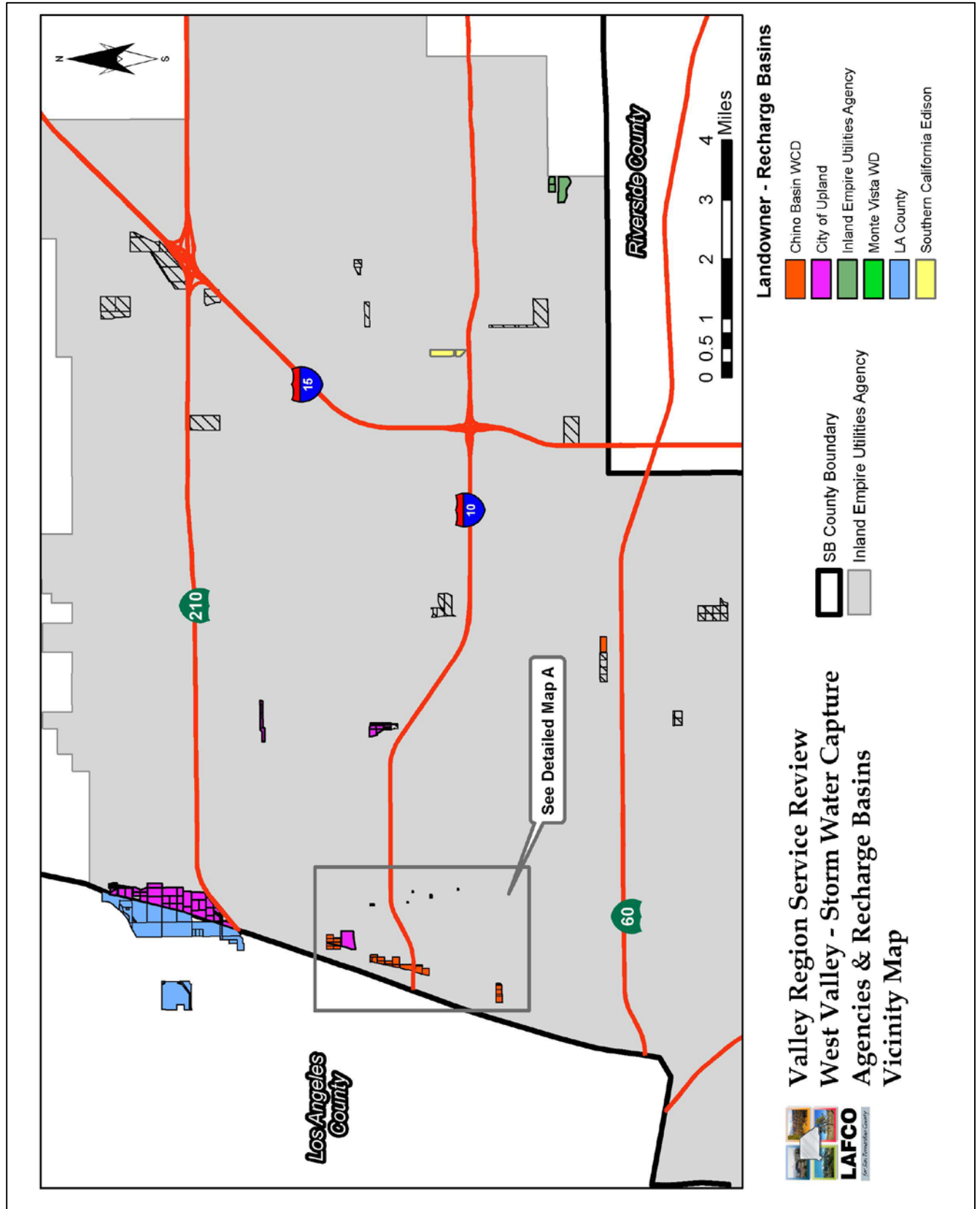
West Valley Overview

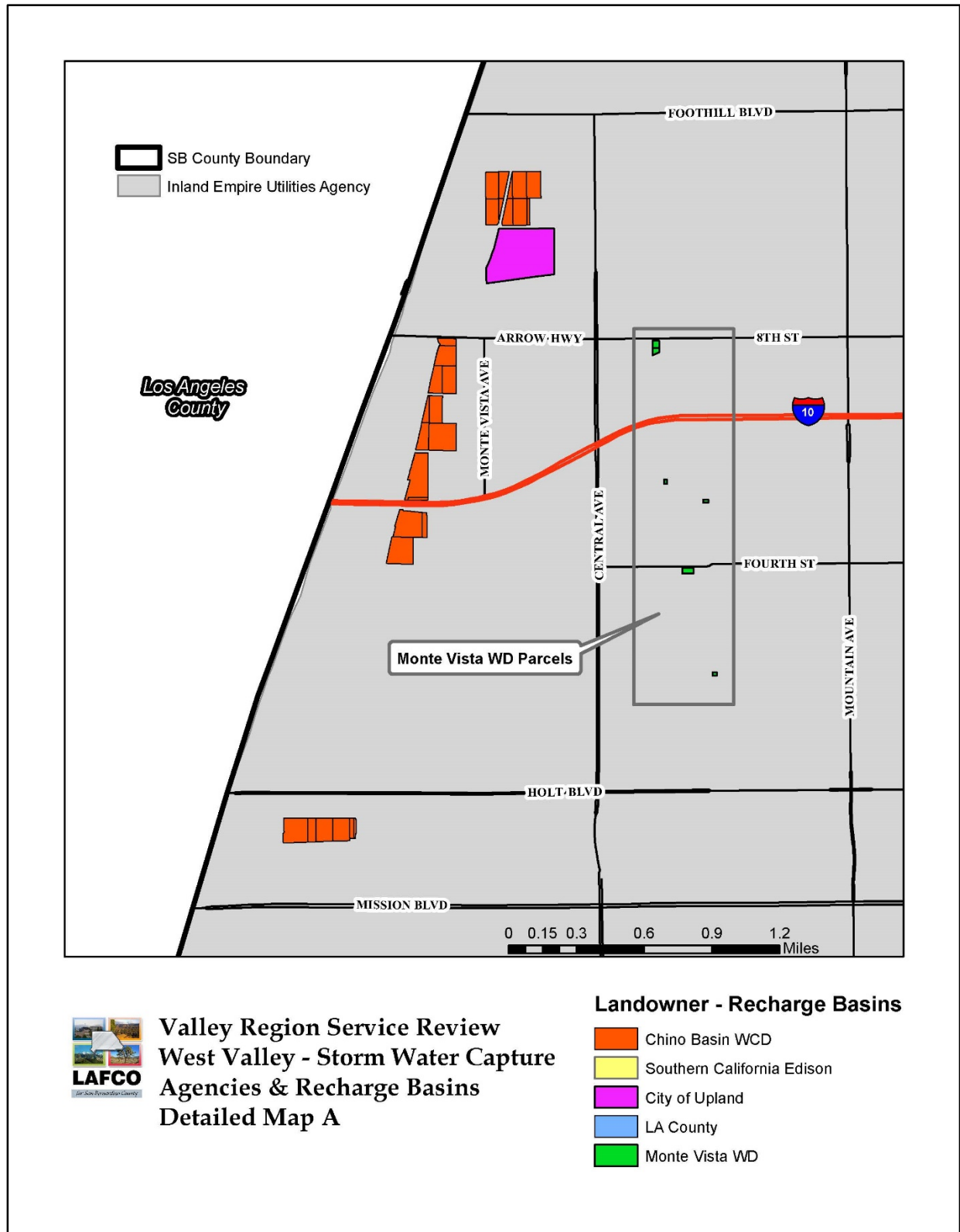
There are generally two basins within the West Valley: Chino and Cucamonga, both of which are adjudicated. The figure below is a summary of the two basins from the Department of Water Resources ("DWR"). As part of the California Statewide Groundwater Elevation Monitoring Program and pursuant to the California Water Code §10933, DWR is required to prioritize California groundwater basins, so as to help identify, evaluate, and determine the need for additional groundwater level monitoring. As identified by the DWR, the Chino Basin has been designated as a High Priority basin and the Cucamonga Basin as a Medium Priority basin for future monitoring. Both share similar population, groundwater reliance factors, and have been impacted from the population. The discussion which follows provides additional information on the basins and the efforts to improve water quality through recharge.

California Statewide Groundwater Elevation Monitoring Program								
Upper Santa Ana Valley Basin - West Valley								
DWR Rating (1 = low, 5 = high)								
Sub-Basin	Sq. Miles	2010 Pop.	Pop.	Pop. Growth	GW Reliance	Impacts	Basin Priority	Impact Comments
Chino	242	898,653	4	2	4	3	High	High nitrates and dissolved solids.
Cucamonga	15	51,001	4	1	3.5	3	Medium	High nitrates reported in 14 of 24 wells tested.

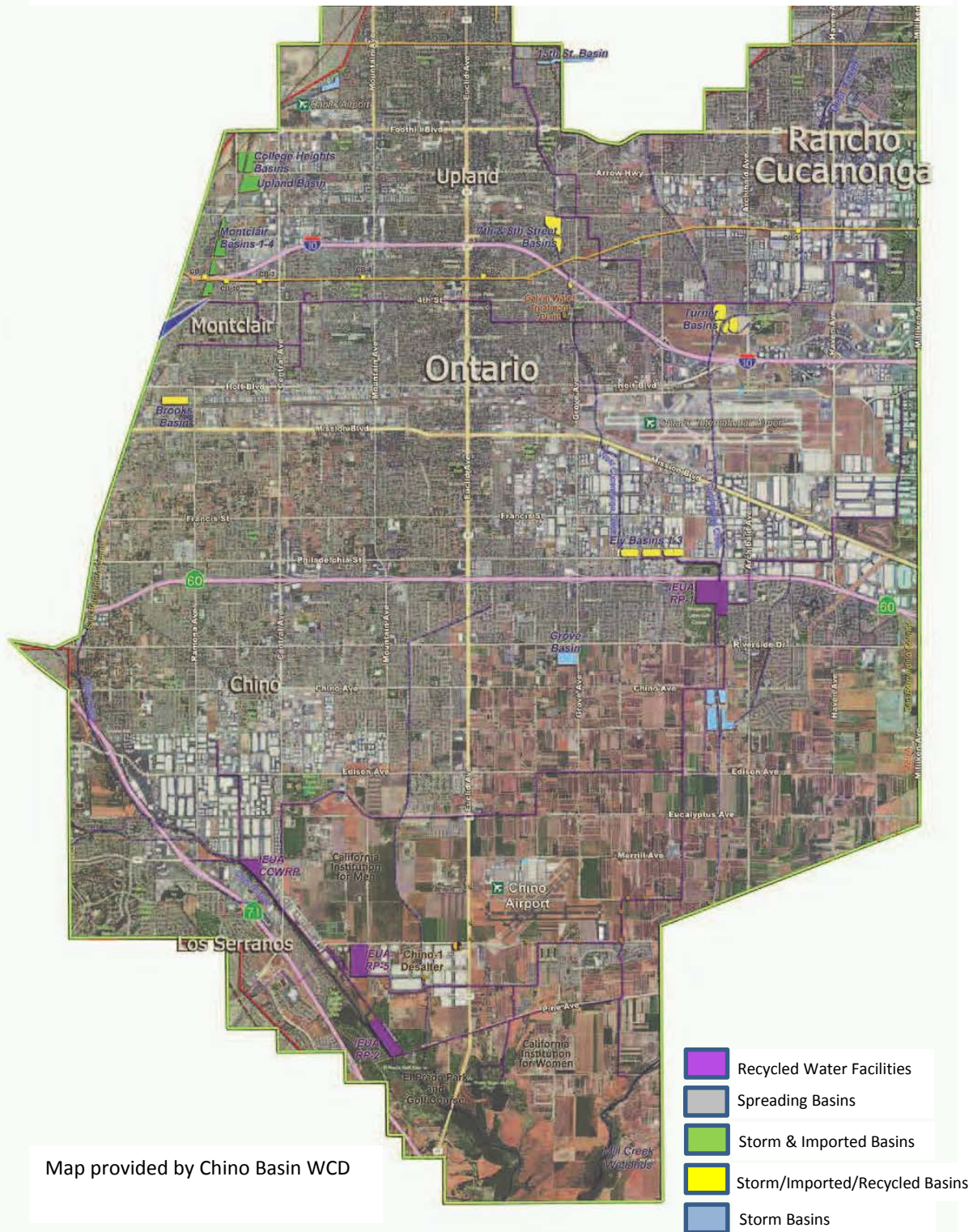
The following agencies actively recharge the groundwater basins (not limited to surface water and stormwater/runoff) or account for recharge within the general West Valley: Chino Basin Water Conservation District, Chino Basin Watermaster (account and implement basin management), Inland Empire Utilities Agency, Monte Vista Water District, and City of Upland. The Inland Empire Utilities Agency encompasses the whole of the agencies under LAFCO purview: Chino Basin Water Conservation District, Monte Vista Water District, and City of Upland. The Chino Basin Watermaster is the court-appointed watermaster for the Chino Groundwater Basin which extends into Los Angeles and Riverside Counties. The adjudicated boundary does not encompass the entirety of the physical boundary, as depicted by the Department of Water Resources. The remaining areas of the physical boundary do not contain significant recharge activities.

The maps below illustrates the agencies that actively capture surface and storm water and the associated recharge sites in the West Valley. This first map identifies the landowner of the recharge basins in the West Valley along with a detail map, and the third map identifies the type of recharge (e.g. storm, imported) within the Chino Basin. The Cucamonga Valley Water District generally comprises the Cucamonga Basin (an adjudicated basin), and it does not actively recharge the basin.





Chino Basin Percolation Basins



Chino Basin Description

The Chino Basin is one of the largest groundwater basins in Southern California containing approximately 5 million acre-feet of water and has an unused storage capacity of approximately 1 million acre-feet. The Chino Basin consists of approximately 235 square miles of the upper Santa Ana River watershed and lies within portions of San Bernardino, Riverside, and Los Angeles counties. Approximately 5% of the Chino Basin is located in Los Angeles County, 15% in Riverside County, and 80% in San Bernardino County. The legal, not the geological, boundaries of the Chino Basin are defined in a court Judgment.¹¹

Chino Basin Watermaster

In 1978, the San Bernardino County Superior Court entered a Judgment establishing a new entity, the Chino Basin Watermaster.¹² The Judgment adjudicated all groundwater rights in Chino Basin and contains a physical solution to meet the requirements of water users having rights in or dependent upon the Chino Basin. The Judgment also appointed the Watermaster to account for and implement the management of the Chino Basin. It is composed of three stakeholder groups, called Pools, represented by separate Pool Committees:

- Overlying Agricultural Pool Committee, representing dairymen, farmers, and the State of California;
- Overlying Non-Agricultural Pool Committee, representing area industries;
- Appropriative Pool Committee, representing local cities, public water districts, and private water companies.

The Watermaster board is represented by the parties to the Judgment, and includes nine members which rotate amongst each pool until there is a Court approved change. At present the representatives are:

Member	Agency	Association
Steve Elie, Chair	Inland Empire Utilities Agency	Municipal
Paul Hofer , Vice-Chair	Crops	Agricultural
Arnold Rodriguez, Secretary/Treasurer	Santa Ana River Water Company	Appropriative/Minor
Bob Kuhn	Three Valleys Municipal Water District	Municipal
Mark Kinsey	Monte Vista Water District	Appropriative
Bob Bowcock	Vulcan Materials Company	Non-agricultural
Donald Galleano	Western Municipal Water District	Municipal
Jim Bowman	City of Ontario	Appropriative
Geoffrey Vanden Heuvel	Dairy	Agricultural

¹¹ Metropolitan Water District of Southern California. Chapter IV – Groundwater Basins Report.

¹² San Bernardino County Superior Court. 1978. Case No. RCV 51010 (formerly Case No. SCV 164327).

The main source of revenue for the Watermaster are assessments. The Watermaster levies and collects Administrative Assessments, Optimum Basin Management Plan ("OBMP") Assessments, and Replenishment Assessments. Administrative Assessments are general administrative and special project expenses incurred by the Watermaster and assessed to the respective pools based on allocations made by the Watermaster. OBMP assessments are levied to the Pools, to implement the OBMP, and Replenishment Assessments are levied to purchase replenishment water to replace production by any Pool during the preceding year which exceeds such Pool's allocated safe yield.

Agencies within the Chino Basin

The figure below describes the agencies that provide for some level of basin management within the Chino Basin. Following the figure is a discussion of the primary recharge agencies and their activities.

Summary of Management Agencies in the Chino Basin	
Agency	Role
Chino Basin Watermaster	Court-appointed Watermaster for Chino Basin.
Chino Basin Desalter Authority	Joint Powers Authority established to operate and manage the Chino I and Chino II Desalters.
Chino Basin Water Conservation District (CBWCD)	Operation of some recharge facilities in Chino Basin. The CBWCD also promotes water conservation through an active public education program.
San Bernardino County Flood Control District (SBCFCD)	Operation of some recharge and flood control facilities in Chino Basin.
City of Upland	Operation of one recharge facility in Chino Basin.
Monte Vista Water District	Owns and operates ASR wells in Chino Basin.
Santa Ana Watershed Project Authority (SAWPA)	Joint Powers Authority established to plan and build facilities to protect the water quality of the Santa Ana River Watershed.
San Bernardino County Department of Environmental Health	Regulation of new well permits within vicinity of recharge basins and throughout basin.
Inland Empire Utilities Agency (IEUA)	Implementation of recharge and management strategies. Operation and maintenance of some recharge basins and associated facilities in Chino Basin.
Santa Ana River Watermaster	Watermaster for 1969 Stipulated Judgment that defined water allocations in the Santa Ana River between lower Santa Ana River and upper Santa Ana River producers.
California Department of Health Services	Regulation of water quality in recharge facilities and production wells.
Regional Water Quality Control Board – Santa Ana Region (Regional Board)	Regulation of recharge of recycled water and desalter facilities.

Source: Metropolitan Water District
ASR wells = Aquifer Storage and Recovery wells

Inland Empire Utilities Agency

Historically, IEUA has engaged in wholesale water and wastewater treatment services, and its recycled water has been captured and recharged by downstream water agencies for decades. In the late 1990s, IEUA began to implement groundwater recharge with recycled water at Ely Basin. The initial Ely Basin project was followed by the Chino Basin Watermaster's development of the Optimum Basin Management Program ("OBMP") and the region's efforts (including IEUA) to implement the OBMP. In 2002, the Watermaster, Chino Basin WCD, the San Bernardino County Flood Control District ("Flood Control District") and IEUA joined forces to greatly expand groundwater recharge capacity. The surface spreading operation significantly enhances storm water conservation and replenishment with imported and recycled water. Intense focus continues today on developing the recycled water supply.

IEUA recharges its recycled water is currently at Brooks Basin (owned by Chino Basin WCD), RP3 basin (owned by IEUA), and 8th Street, Ely, Turner, Victoria, Banana, Hickory, Declez, San Sevaine basins (owned by Flood Control District). IEUA is permitted to recharge recycled water at several other Flood Control District sites, but has not yet invested in infrastructure to take water there. All other recharge activities (stormwater and imported water) are performed by IEUA on the behalf of Chino Basin Watermaster.

Under Article X of Chino Basin Watermaster Rules and Regulations, IEUA applied for and received approval from Chino Basin Watermaster in 2002 to recharge up to 30,000 acre-feet per year of recycled water in the Chino Basin consistent with the elements of the 1999 Optimum Basin Management Plan, the Peace Agreement to the Chino Basin Judgment, and the 2001 Chino Basin Recharge Master Plan.

In December 2007, the IEUA Board of Directors approved an aggressive Three Year Business Plan that calls for 50,000 acre feet of connected demand of recycled water by 2013.¹³ According to IEUA staff, the plan was last updated in FY 2010-11. Per the updated plan, the goal was to have 50,000 AFY of connected demand by FY 2011-12, with the projected recycled water deliveries of 50,000 AFY by FY 2012-13. Conditions within the region and IEUA's member agencies have been evolving over the past few years, and with the changes, the period at which IEUA estimates to reach the delivery of 50,000 AFY is FY 2019-20. The long-term goal for ultimate beneficial use in the region varies between 65,000 AFY and 78,000 AFY. These numbers are still being revised per IEUA's current planning initiatives.

As a member of the Metropolitan Water District of Southern California ("Metropolitan Water District"), one-third of the water distributed by IEUA is imported through the State Water Project.¹⁴ Recognizing the limitation on imported water supplies caused by

¹³ Recycled Water Annual Report

¹⁴ Imported water to the western one-third of San Bernardino Valley is provided through the Metropolitan Water District of Southern California ("MWD") and several of its 26 member agencies. As one of 27 State Water Contractors in California, MWD delivers water to a 5,200-square-mile service area spanning Ventura, Los Angeles, Orange, Riverside, San Bernardino, and San Diego counties. Due to the statewide and regional demand for

drought conditions and environmental restrictions, a key business goal for IEUA is to “drought proof” the region by developing local supplies and maximizing groundwater recharge. IEUA has been able to increase the local supply of water by 33 percent through the construction of recycling plants and piping, new catch basins, and desalting plants.¹⁵ IEUA operates five regional water recycling plants and produces three key “environmentally sustainable” products: recycled water, renewable energy, and high-quality biosolids compost. Protecting the region’s vital groundwater supplies is a core element of the IEUA’s “drought proof” business goal. The more water recharged into the Chino Groundwater Basin, the more self-reliant and less dependent the region becomes on imported water supplies. It does this through 19 groundwater recharge basins.¹⁶

As identified IEUA’s 2014-19 Strategic Plan, three major recharge objectives stand out:

- Identify and protect the best recharge land sites in the service region by June 2016
- Conduct research to find new methods to safely recharge more water into Chino Basin by June 2016
- Coordinate with the Chino Basin Watermaster on the Recharge Master Plan Update by July 2019

The IEUA Asset Management Plan outlines planned capital projects for the agency’s activities. Those related to recharge are listed below:

- Vulcan Pit Flood Control and Aquifer Recharge Project. This project will convert the existing Vulcan mining pit into a functional 60-acre groundwater recharge basin. \$100,000 in FY 2014-15. The City of Fontana is the lead agency on the project.
- Wineville Extension Pipeline Segments A and B. A new 24-inch recycled water pipeline along Wineville Ave. from Airport Dr. to Jurupa St. continuing with a new 36-inch recycled water pipeline to RP-3 Groundwater Recharge Basin. The project includes a recycled water turnout to feed RP-3 Basin and a turnout to feed Declez Basin. \$6 million in 2014-15 and \$21.5 million in 2015-16.
- RP-3 Basin Improvements. Groundwater Recharge Master Plan Update 2013 project #11. IEUA cost share = 50% total cost. \$200,000 in 2014-15, \$5.1 million in 2015-16.

Colorado River and SWP water, imported water is significantly more expensive to purchase or acquire than groundwater.

¹⁵ Neil Nisperos, “Inland Empire Water Agencies Shoring Up Supply for Times of Drought,” *San Bernardino Sun*, 13 January 2015.

¹⁶ 2014-19 Strategic Plan

- Victoria Basin Improvements. Groundwater Recharge Master Plan Update 2013. IEUA cost share = 50% total cost. \$24,000 in 2014-15, \$126,000 in 2015-16.

Additionally, the Turner Basin Recharge Project involves the installation of new pipe/gate within the two new recharge basins and connecting an existing flood control retention facility as a new recharge basin. IEUA, San Bernardino County, and several local and regional stakeholders developed the West End Conservation and Groundwater Task Force, for the development of a comprehensive plan that will guide future improvement efforts of the Turner / Guasti site. The next phase of the project will be a feasibility / planning study for the entire site, including construction or enlargement of several other recharge basins, appurtenances to allow more recycled water and storm water to be captured and recharged, wetlands, and educational opportunities. This project is partially funded by a Bureau of Reclamation grant of \$406,712. The remaining cost of the project is shared between IEUA and the Watermaster.

Chino Basin Water Conservation District

The Chino Basin Water Conservation District owns eight basins that are used to percolate water from local runoff, imported water purchased by Watermaster parties, and recycled water from IEUA. Five of the basins are located in Montclair, two in Upland, and one in Ontario. The eight basins are described below:

Drainage System, Basin	IEUA Role	CBWCD Role	Storage Capacity (AFY)	Water Recharge Source	Notes
San Antonio Channel Drainage System					
College Heights East	A,B,D,F,H,I,J,L,N	G,M	145	Storm, State Project	No need for E, no infrastructure for C
College Heights West	A,B,D,F,H,I,J,M,N	G,L	126	Storm, State Project	No need for E, no infrastructure for C
Montclair 1	A,B,D,F,H,I,K,M,N	E,G,J,L	134	Runoff, storm, State Project	No infrastructure for C
Montclair 2	A,B,D,F,H,I,K,M,N	E,G,J,L	243	Runoff, storm, State Project	No infrastructure for C
Montclair 3	A,B,D,F,H,I,K,M,N	E,G,J,L	49	Runoff, storm, State Project	No infrastructure for C
Montclair 4	A,B,D,F,H,I,K,M,N	E,G,J,L	97	Runoff, storm, State Project	No infrastructure for C
Brooks	A,B,C,D,F,H,I,K,M,N	E,G,J,L	503	Runoff, storm, recycled, State Project	
West Cucamonga Channel Drainage System					
Ely 3 *	A,B,C,D,F,H,I,J,M,N	E,G,L,K	136	Runoff, storm, recycled	
<p>* Ely #1 and #2 are owned by San Bernardino County Flood Control District.</p> <p>A) Stormwater Passive Capture and Volume Accounting B) Stormwater Active Diversion and Volume Accounting C) Recycled Water Delivery and Volume Accounting D) Imported Water Delivery and Volume Accounting E) Vector Control Coordination F) Weeding Monthly in Areas of Impact G) Landscape and Property Maintenance H) Operate and Maintain GWR Communication Infrastructure I) Operate and Maintain Diversion Infrastructure J) Infiltration Restoration Lead Agency K) Infiltration Restoration - support agency L) Basin grading maintenance - lead agency M) Basin grading maintenance - support agency N) Biologic Surveys and Biological Permitting</p> <p>sources: Chino Basin WCD and IEUA</p>					

As shown above, IEUA plays a significant role in accounting, operating, and maintaining the Chino Basin WCD basins. The outline below summarizes the activity roles from the figure above:

- **IEUA only, all basins**
 - Stormwater passive capture and volume accounting
 - Stormwater active diversion and volume accounting

- Imported water delivery and volume accounting
- Weeding monthly in areas of impact
- Operate and maintain GWR communication infrastructure
- Operate and maintain diversion infrastructure
- Biologic surveys and biological permitting
- **IEUA only, various basins**
 - Recycled water delivery and volume accounting
- **Chino Basin WCD only, all basins**
 - Landscape and property maintenance
- **Chino Basin WCD only, various basins**
 - Vector control coordination
- **IEUA and Chino Basin WCD, various basins**
 - Infiltration restoration - lead agency
 - Infiltration restoration - support agency
 - Basin grading maintenance – lead agency
 - Basin grading maintenance – support agency

The district's basins from FY 2005-06 through FY 2012-13 captured and recharged an average of 9,848 acre-feet of water. Of the 9,848 acre feet of water captured, the annual average includes 2,411 acre-feet of storm and nuisance water; 1,058 acre-feet of recycled water; and 6,378 acre-feet of imported water. According to the district, utilizing the Metropolitan Water District's Tier 2 treated rate (\$997/ac. ft.), the nominal present value of the average captured and recharged water is over \$9,815,000.

Because storm runoff water represents a potential threat to both residential and commercial property owners, yet is the most economical source for recharge of the Basin water supply, Chino Basin WCD works closely with the Watermaster and the Flood Control District through mutual cooperative efforts, the most effective balance between flood control and water conservation result. As a consequence, a number of Chino Basin WCD land acquisitions and construction projects for water conservation purposes have been made with the Flood Control District and others in mind. Historically, the district has also constructed diversion facilities and improvements to Flood Control District owned basins that help replenish the Chino Basin. Water retained by these facilities would otherwise be lost in flows to the Santa Ana River.

In 2000, the County Board of Supervisors approved a five-year cooperative agreement with five five-year options to extend with the Chino Basin WCD for the construction of additional improvements to the Grove Basin, including an outlet to the detention basin.¹⁷ The Flood Control District completed construction of the Grove Basin Drain in 2000, the Grove Avenue Basin in 2001, and the Riverside Storm Drain in 2004 as a means of

¹⁷ County contract No. 00 -1086. In order to increase ground water recharge through the capture and percolation of storm and local run-off water, the District participated financially in increasing the depth of the San Bernardino County Flood Control District's Grove Basin when constructed in the late 1990s and early 2000s and so includes the recharged water from that basin in the CBWCD's recharge figures.

minimizing future flooding in the Chino Agricultural Preserve area. The Flood Control District, in exchange for financial participation by the Flood Control District in the construction of the Basin, allowed the bottom portion of the Basin to be used for water conservation. As part of the agreement, Chino Basin WCD performs weed abatement on the bottom of Grove Basin and a portion of the slopes. The original term of the cooperative agreement was from October 25, 2000 through October 24, 2005 and has been extended to 2015. Three five-year options remain.

Other Agencies

Monte Vista Water District

The Monte Vista Water District operates four Aquifer Storage and Recovery (“ASR”) groundwater wells which inject high quality water into the ground when water is plentiful, usually in wet winter months. When additional groundwater production is needed, in the hot summer months or in times of severe drought, ASR wells reverse operations and extract groundwater from the aquifer similar to typical production wells.

The total injection and recharge capacity of the district's ASR wells is 4.9 million gallons per day, which equates to an annual capacity in excess of 5,000 acre-feet per year (AFY). This represents just over 7% of the total recharge capacity in the Chino Basin. In addition to its ASR program, the district is a party to the Chino Basin Judgment (1978) and a signatory to the Chino Basin Peace Agreement (2000) which incorporates an Optimum Basin Management Program for the Chino Basin. The district has participated in the funding for recharge projects across the Chino Basin, and, for projects that create additional stormwater capture, the district receives additional groundwater production rights.

Finally, IEUA recharges recycled water into the Chino Basin for the benefit of its contracting parties, including the City of Montclair. The Monte Vista Water District has a Recycled Water Purchase Agreement (2007) with the City that gives the district exclusive right to purchase the City's share of this recycled water recharge. The recycled water is recharged in facilities across the Chino Basin under a permit from the Santa Ana Regional Water Quality Control Board.

City of Upland

City staff operates not only its own recharge basins but facilities for IEUA and the Pomona Valley Protective Association in Los Angeles County.

In 2005, the City of Upland, IEUA and Chino Basin Watermaster entered into an agreement that IEUA and Chino Basin Watermaster could utilize the capacity of Upland Basin not used for flood control for groundwater recharge. IEUA and Watermaster contributed \$750,000 towards construction of Upland Basin and received a minimum recharge pool volume of 200 acre-feet. With this funding contribution, Upland assured IEUA and Watermaster that the facility would be used to the maximum practical extent for groundwater recharge. Maintenance costs due to recharge activities would be the responsibility of IEUA and Chino Basin Watermaster.

Optimum Basin Management Program

The Superior Court mandated that the Chino Basin Watermaster develop an Optimum Basin Management Plan ("OBMP"), with reports of progress and annual reports to be submitted to the Court and the major parties. The OBMP sets forth an overall management guide to clean the Chino Basin groundwater aquifer (which consists of several subareas) and to increase the yield of the Chino Basin for the water purveyors and other large groundwater producers in the Basin. In its simplest form the program consists of a number of actions that increase the recharge of water into northern and central portions of the Basin; extract high salt and nitrate contaminated water at the south end of the Basin; and provide for conjunctive use by expanding storage in the Basin. A key component of the OBMP implementation program is the recharge of the Chino Basin groundwater aquifer with stormwater, recycled water and imported water both to offset forecast increases in groundwater extraction and to increase the groundwater in storage.

The end result is that 20 recharge basins, almost all originally designed and installed by the Flood Control District, have been prepared to receive a mix of stormwater, recycled water and imported water to increase the volume of groundwater in storage within the Chino Basin. The necessary connections (pipelines and turnouts) have been installed and additional facilities are being considered, reviewed and funded on an ongoing basis.

The Watermaster has identified three recharge priorities. Capture of storm water has been identified as the top priority by the Watermaster. Increasing the yield of the Basin with this high quality source of water will improve groundwater quality and increase the assimilative capacity of the Basin. The second priority for recharge is the use of the high quality recycled water produced at IEUA's wastewater treatment facilities. Over 60,000 acre-feet of recycled water is currently produced and there is approximately 20,000 acre-feet of capacity in the Chino Basin to be recharged. In 2005, the Santa Ana Regional Water Quality Control Board issued the permit for the use of recycled water for groundwater recharge. This is the first permit for indirect potable reuse in California that received unanimous local and statewide support. In 2007, the permit was updated to include additional recharge sites. In 2009, the permit was amended to increase the averaging period used for compliance to 120 months and to allow groundwater underflow to be used as diluent in the computation of the running average Recycled Water Contribution.

The third priority for recharge is the use of imported water supplies. The Groundwater Recharge Master Plan identifies opportunities to use these supplies during wet years when surplus water is available.¹⁸ The Agreement for Operation and Maintenance of Facilities to Implement the Groundwater Recharge Master Plan is commonly referred to as the Four Party Agreement or the Peace Agreement, and was entered into by the Flood Control District, IEUA, Chino Basin WCD, and IEUA to cooperate in a program to implement certain portions of the Recharge Master Plan for the purpose of assuring that the Chino Basin has adequate recharge capabilities to meet its future needs. The

¹⁸ 2011 Urban Water Management Plan

effective date of the agreement was January 23, 2003 and continues through December 31, 2032.

To provide a comprehensive program to increase the recharge of storm-water, recycled water, and imported water into the Chino Basin groundwater aquifer, the Groundwater Recharge Master Plan was developed in 2001 (and updated in 2010) as part of the Watermaster OBMP. A 2013 Recharge Master Plan Update to the 2010 Recharge Master Plan was recently completed. The update evaluated 27 yield enhancing capital projects for the Chino Basin and recommends implementation of 11 projects over the next six years. IEUA has agreed to finance three of the projects (RP 3 basin improvements, Victoria Basin, and Lower Day). The remaining projects require additional investigation to evaluate the feasibility and cost-effectiveness of incorporating the basins into the recharge program.

The same member agencies of the Groundwater Recharge Master Plan (Four Party Agreement) are on the Groundwater Recharge Coordinating Committee (“GRCC”). The purpose of the GRCC is to coordinate and manage the use of the recharge basins for all recharge purposes contemplated under the Groundwater Recharge Master Plan. Each of the Parties is entitled to appoint one member and one alternate member to the GRCC. The GRCC meets quarterly or as often as necessary to facilitate full coordination of groundwater recharge operations.

In addition, Watermaster holds the water right permits to divert, percolate and store stormwater. Operation of the facilities is handled by IEUA, which defers to Flood Control District during storm periods. Watermaster and IEUA have a joint recharge permit from the Regional Water Quality Control Board for the recharge of imported, storm and recycled water.

Water purveyors in the Chino Basin also participate in a variety of in-lieu groundwater storage programs whereby they receive imported water from Metropolitan Water District in-lieu of pumping groundwater. These programs result in decreased pumping when water is delivered and increased pumping later. Historically, these have included Metropolitan Water District’s cyclic, replenishment water and conjunctive use programs.¹⁹

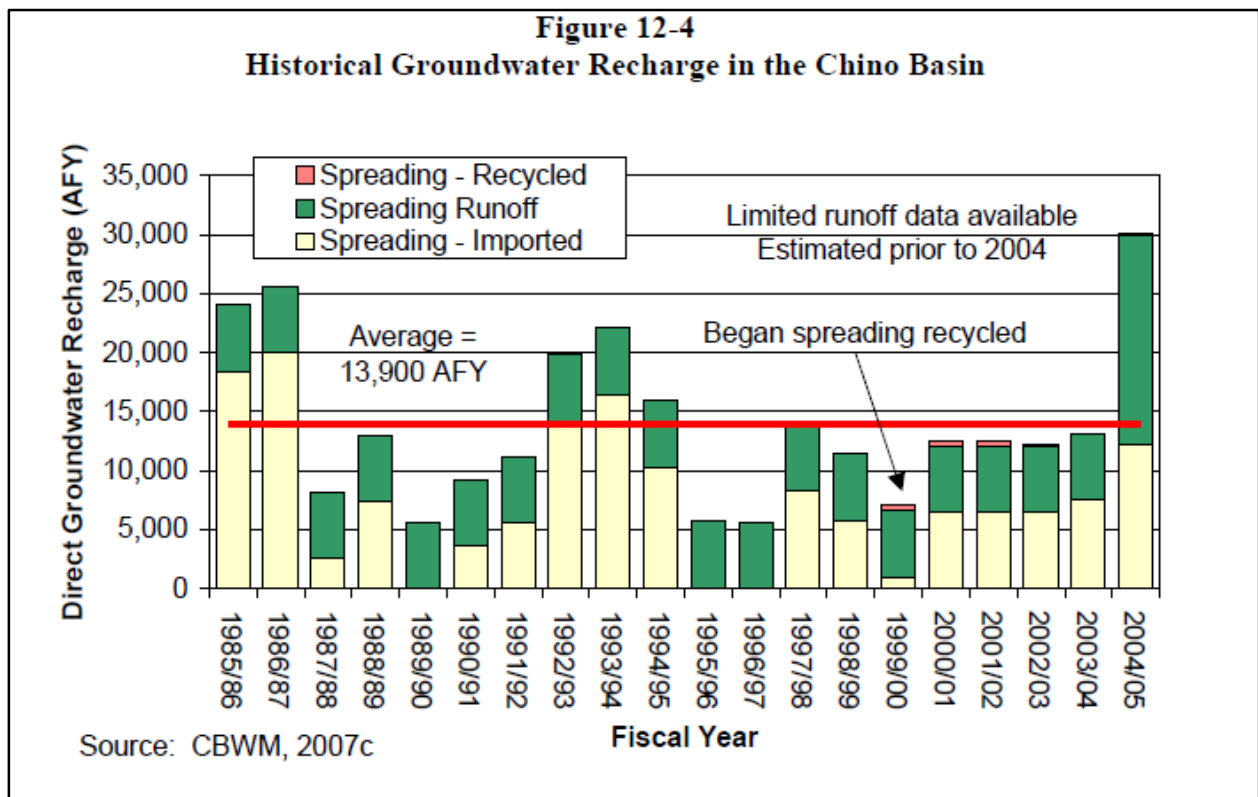
Spreading in the Chino Basin

Imported water, recycled water and runoff (to include surface water) are currently spread in the Chino Basin. As shown in the figure below, an average of about 13,900 AFY has been spread between fiscal years 1985-86 and 2004-05.²⁰ About 7,700 AFY has been recharged with imported water from Metropolitan Water District during this time. Runoff recharge was not measured prior to 2004; however, the Watermaster estimates that the historical runoff spread was approximately 5,600 AFY. In fiscal year 1999-00, recycled water began to be recharged in the Ely Basins and, an average of about 300 AFY of recycled water has been recharged in the Chino Basin through 2004-05.²¹

¹⁹ Chino Basin Recycled Water Groundwater Recharge Program, 2013 Annual Report, 1 May 2014

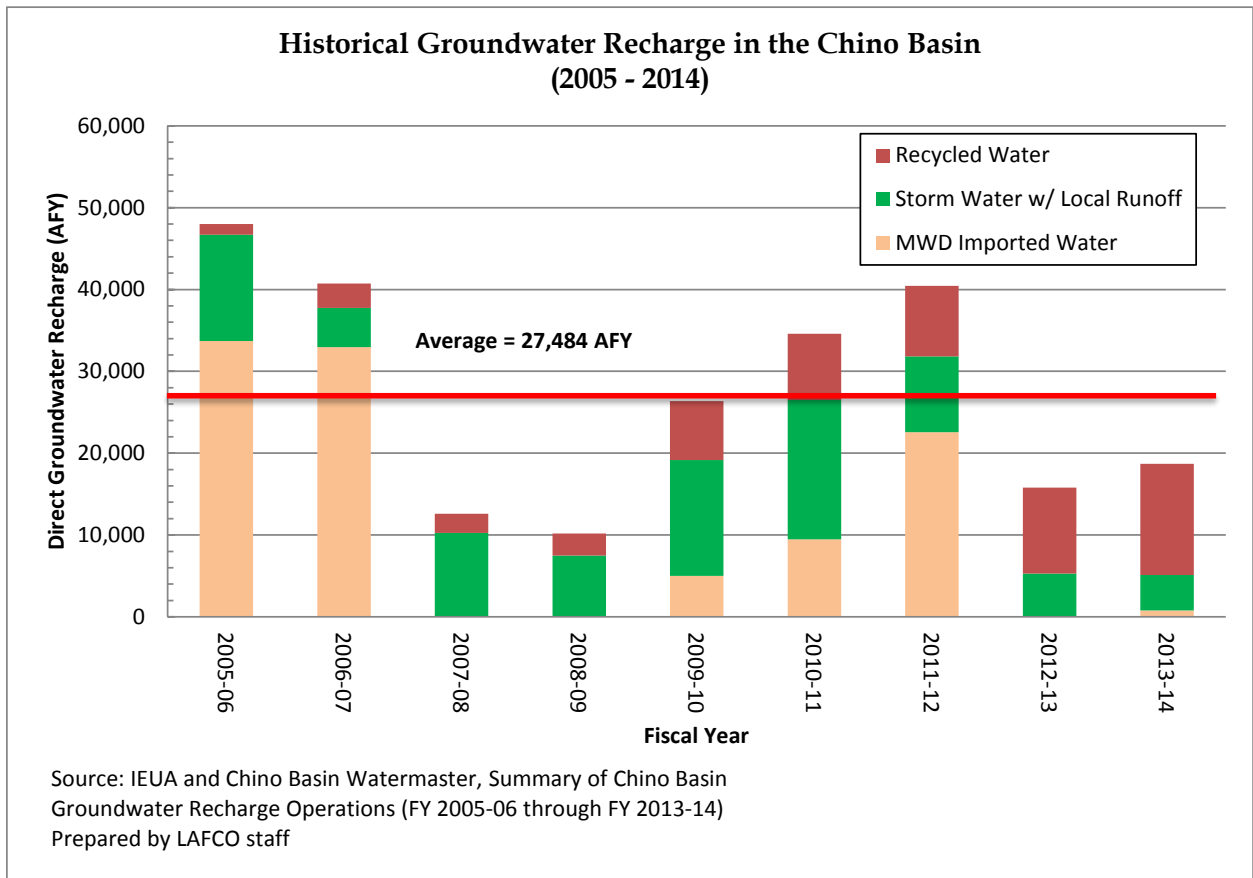
²⁰ Chino Basin Watermaster, 2007. Recharge data provided 3/28/07. As cited in Metropolitan Water District.

²¹ Metropolitan Water District.



Source: IEUA Recharge Master Plan

Expanding from the above data, 27,484 AFY has been spread from FY 2005-06 through FY 2013-14. Below LAFCO staff has created a figure to illustrate the amount of groundwater recharge from all three sources. As shown, storm water recharge has declined significantly since FY 2010-11 (due to the drought), being less than the storm water recharge average during this timeframe. What was first considered a recharge source to reduce reliance on imported water from Metropolitan Water District, due to the current drought recycled water has now become a necessity for the basin.



SUMMARY OF CHINO BASIN GROUNDWATER RECHARGE OPERATIONS									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Recycled Water	1,304	2,989	2,340	2,684	7,210	8,065	8,634	10,479	13,593
Storm Water w/ Local Runoff	12,999	4,770	10,243	7,498	14,141	17,051	9,266	5,298	4,299
MWD Imported Water	33,705	32,968	0	0	5,001	9,465	22,560	0	795
TOTAL	48,008	40,727	12,583	10,182	26,352	34,581	40,460	15,777	18,687
units in acre-feet									
source: IEUA and Chino Basin Watermaster, Summary of Chino Basin Groundwater Recharge Operations (FY 2005-06 through FY 2013-14)									
Average = 27,484 acre feet/year									

Cucamonga Valley Basin Description

The Cucamonga Valley Basin comprises roughly 15 square miles and underlies the northern part of upper Santa Ana Valley. It is bounded on the north by alluvium abutting the San Gabriel Mountains and on the west, east, and south by the Red Hill fault. This portion of the upper Santa Ana Valley is drained by Cucamonga and Deer Creeks to the Santa Ana River.

The groundwater rights for the Cucamonga Basin were adjudicated, as defined in the 1958 Judgment of the Superior Court (Decree No. 92645). Currently, the Chino Basin

Watermaster has been designated to manage the Cucamonga Basin. The basin's legal boundary as stipulated in the Judgment is smaller than the geologic boundary of the basin. As defined in the Judgment, the eastern boundary of the basin is not based on geologic features, thus a portion of the geologically defined basin is within the legal boundary of the Chino Basin.

Recharge to the sub-basin is provided by infiltration of stream flow, percolation of rainfall to the valley floor, underflow from the San Gabriel Mountains, and return irrigation flow. Additional recharge to the sub-basin is from storm flow at spreading grounds along Cucamonga Creek and near Red Hill and Alta Loma. Groundwater flow generally is southward from areas of recharge in the north towards the Red Hill fault in the south. As part of the Judgment, San Antonio Water Company is required to recharge a minimum of 2,000 AFY of imported water (mostly runoff) into the basin annually as calculated over a 10-year period. Over this period, 95 percent of any additional water spread may be added to San Antonio Water Company's adjudicated right. It is the goal of the Cucamonga Valley Water District to finalize a management plan for the Cucamonga Basin and work with the San Antonio Water Company to develop a conjunctive use and recharge program to minimize the impacts of overproduction in the Cucamonga Basin.

Retail water providers are the Cucamonga Valley Water District, and the following private entities: San Antonio Water Company, Sunset Water Company, Alta Loma Mutual Water Company, and Foothill Irrigation Company.

No groundwater banking, storage, or transfers occur within the Cucamonga Basin. Total storage space in the basin is unknown.

B. Capture and Recharge of Surface Water and Stormwater/Runoff – East Valley

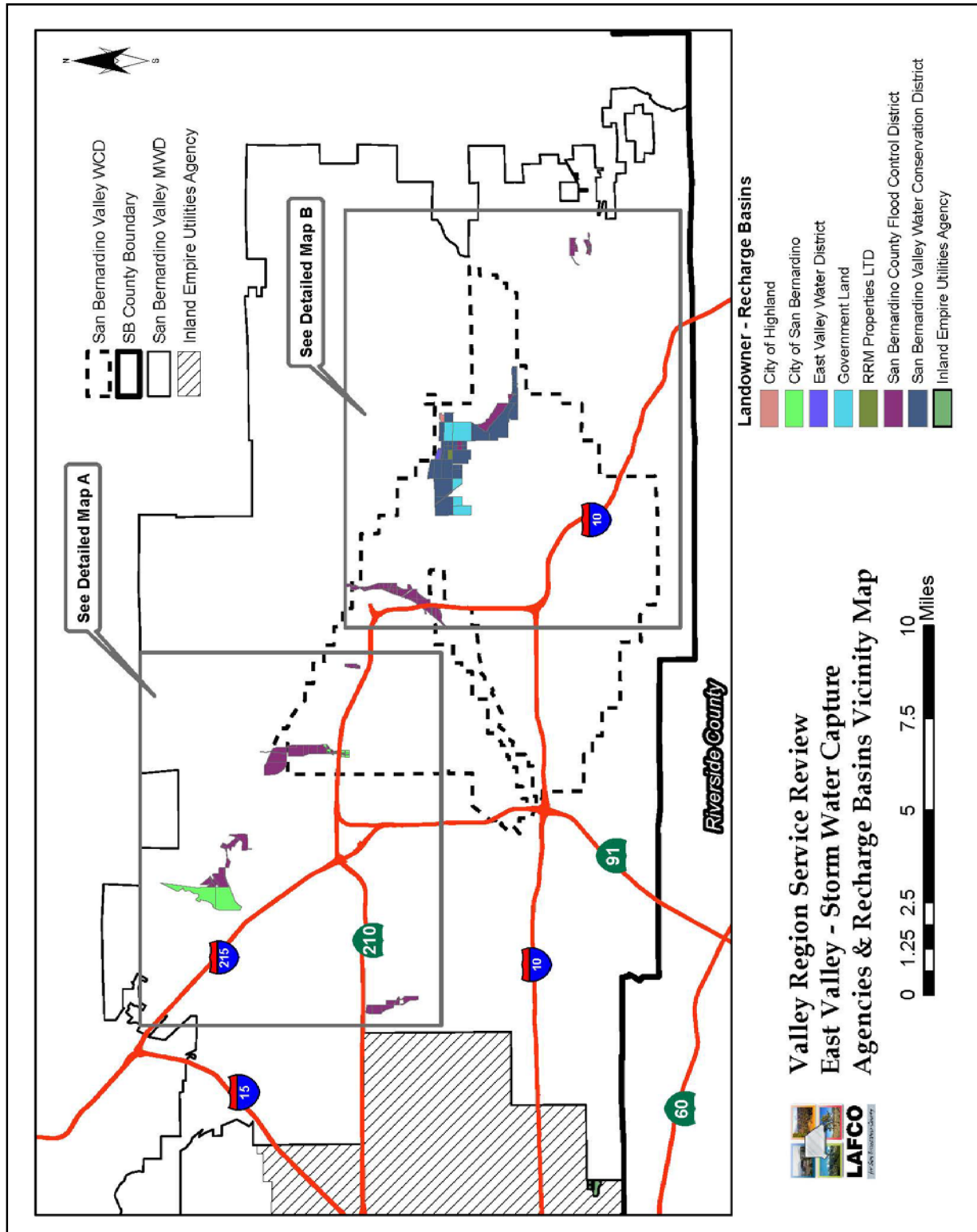
There are, or portions of, five basins within the East Valley. Below is a summary of the basins from the Department of Water Resources ("DWR"). As part of the California Statewide Groundwater Elevation Monitoring Program and pursuant to the California Water Code §10933, DWR is required to prioritize California groundwater basins, so as to help identify, evaluate, and determine the need for additional groundwater level monitoring. As identified by the DWR, the Bunker Hill and Riverside-Arlington basins have been designated as High Priority basins and the others as Medium Priority basins for future monitoring. The discussion which follows provides additional information on the basins and the efforts to improve water quality through recharge.

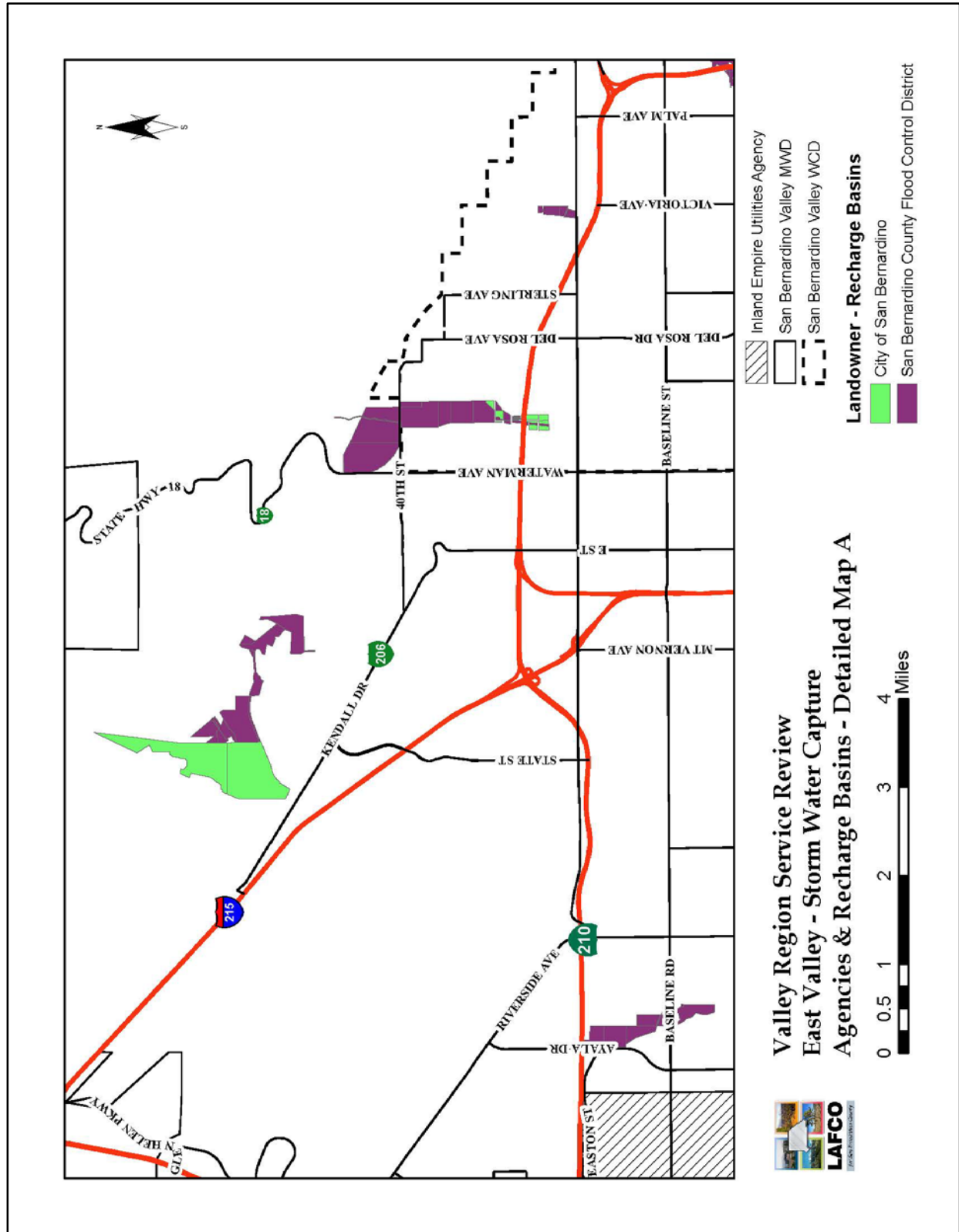
California Statewide Groundwater Elevation Monitoring Program									
Upper Santa Ana Valley Basin - East Valley									
DWR Rating (1 = low, 5 = high)									
Sub-Basin	Sq. Miles	2010 Pop.	Pop.	Pop. Growth	GW Reliance	Impacts	Basin Priority	Impact Comments	
Bunker Hill	127	363,394	4	1	3	3	High	Impacted with toxins from Newmark Superfund site & perchlorate from Crafton-Redlands plume.	
Rialto-Colton	47	145,832	4	1	3	3	Medium	Extensive perchlorate contamination in basin.	
Riverside-Arlington	92	336,884	4	2	4.5	5	High	Water quality degradation issues known in several public supply wells.	
San Timoteo	115	54,169	2	5	2.5	3	Medium	High nitrates and salinity. Upper basin water quality issues.	
Yucaipa	40	65,180	3	1	3.5	5	Medium	Overdraft. Documented impacts of nitrates and sulfates.	

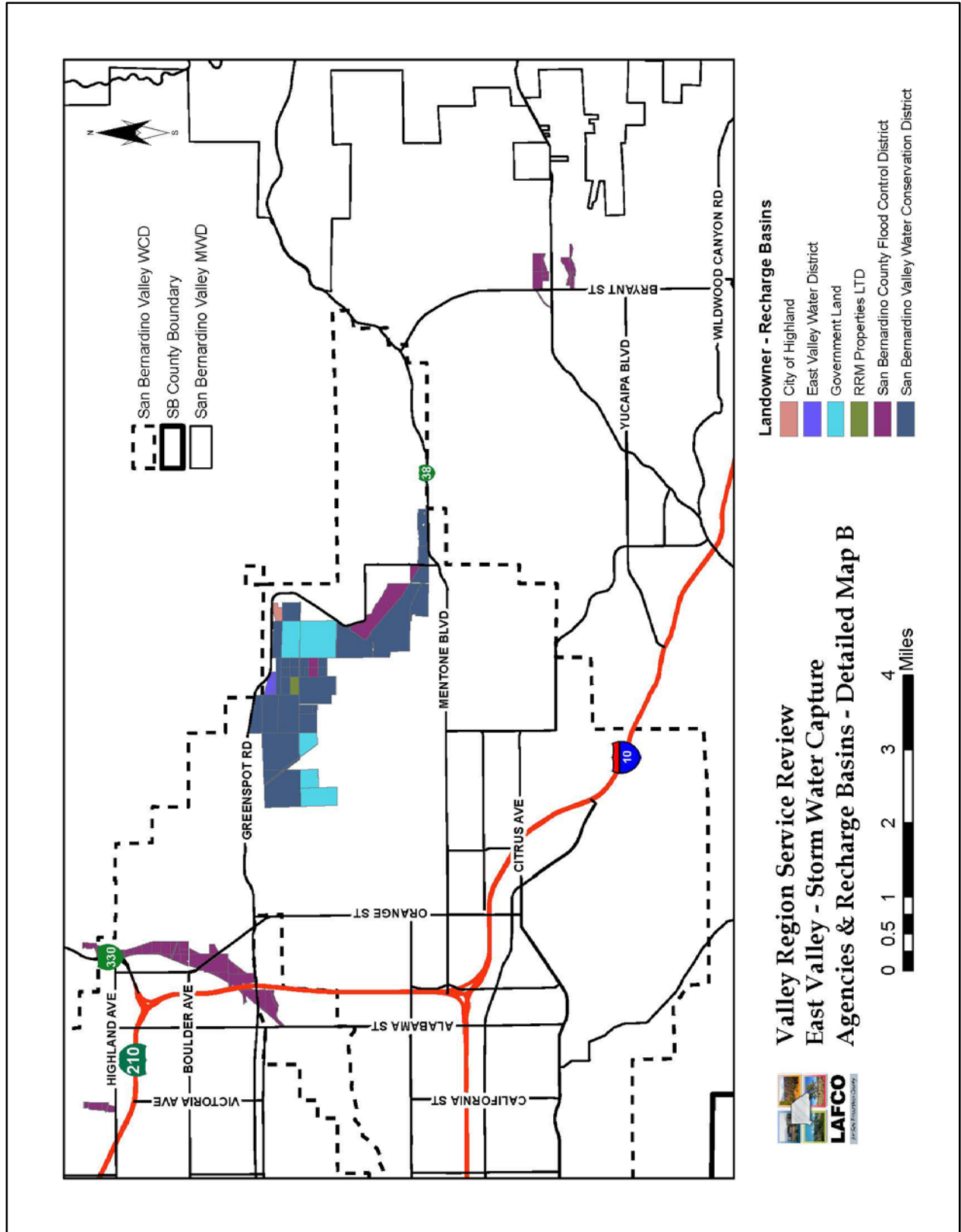
The following agencies actively recharge the groundwater basins (not limited to stormwater/runoff) or account for recharge within the general East Valley. The San Bernardino Valley Municipal Water District encompasses the whole of the agencies under LAFCO review. The San Bernardino Valley Municipal Water District is the court-appointed watermaster for the San Bernardino Basin Area which includes the Bunker Hill Basin in San Bernardino County, which extends into Riverside County.

- Primary Agencies
 - San Bernardino Valley Municipal Water District
 - San Bernardino Valley Water Conservation District
 - San Bernardino County Flood Control District
- Secondary Agencies
 - Beaumont-Cherry Valley Water District
 - City of San Bernardino Municipal Water Department
 - East Valley Water District
 - West Valley Water District
 - Yucaipa Valley Water District

Numerous existing groundwater recharge facilities (spreading grounds or spreading basins) are located in the San Bernardino Basin Area, Rialto-Colton, and Yucaipa basins. The locations of these facilities are shown below, and selected characteristics are summarized in the following table. Existing turnouts serve each recharge facility, with the exception of the Cactus Spreading and Flood Control Basins, which would be served by the Cactus Basins Pipeline proposed by MUNI. A description of each spreading ground follows.







Facility Name	Owner or Operator	Conveyance Used to Serve Facility Turnout Name & Capacity (cfs)	Recharge Facility Characteristics ¹			
			Active Recharge Facility Area ² (acres)	Percolation Rate ³ (feet/day)	Monthly Capacity (AF)	Groundwater Basin (and Subbasin) Recharged ⁴
SAR Spreading Grounds	SBVWCD	Foothill Pipeline	64 ⁴	3	12,000	SBBA (Bunker Hill)
		Santa Ana Low Flow (288)				
		Santa Ana Intake (200 Max)				
Devil Canyon and Sweetwater Basins	SBCFCD ⁵	Foothill Pipeline	30	1.5	1,350	SBBA (Bunker Hill)
		Sweetwater (37)				
Lytle Basins	Lytle Creek Water Conservation Association	Fontana Power Plant	Variable	1.5	Variable	SBBA (Lytle Creek)
		Constructed drainage channel				
City Creek Spreading Grounds	SBCFCD	Foothill Pipeline	75	1.5	3,375	SBBA (Bunker Hill)
		City Creek (60)				
Patton Basins	SBCFCD	Foothill Pipeline	3	0.3	27	SBBA (Bunker Hill)
		Patton (12)				
Waterman Basins	SBCFCD	Foothill Pipeline	120	0.5	1800	SBBA (Bunker Hill)
		Waterman (135)				
East Twin Creek Spreading Grounds	SBCFCD	Foothill Pipeline	32	1.5	1440	SBBA (Bunker Hill)
		Waterman (135)				
Badger Basins	SBCFCD	Foothill Pipeline	15	0.5	225	SBBA (Bunker Hill)
		Sweetwater (22)				
Mill Creek	SBVWCD	Greenspot Pipeline	66	3	6,000	SBBA (Bunker Hill)
		Mill Creek Spreading (50)				
		Mill Creek Intake (110)				
Cactus Spreading and Flood Control Basins	SBCFCD	San Gabriel Valley MWD Lytle Pipeline	46	1.5	2,070	Rialto-Colton
		Lower Lytle Creek (55)				
Wilson Basins	SBCFCD	East Branch Extension	12	1	360	Yucaipa subbasin
		Wilson Basins (30)				
Garden Air Creek	Valley District	East Branch Extension	n/a	n/a	n/a	San Timoteo subbasin
		Garden Air Creek (16)0				

¹ Values are from tabulation on map contained in Water Right Application by Valley District and Western to appropriate water from the SAR or by engineering evaluation of spreading grounds.

² Recharge facility area is the geographical extent of each basin that can be inundated for recharge.

³ Estimated percolation rate. This is the estimated rate at which water can percolate into the ground through the basin, expressed in feet per day. The values used have generally been computed from the annual recharge capacity. These rates are typically about one-half of the percolation rates presented by the USGS (1972). The use of the small percolation rates is reasonable in that it would involve longer-term percolation rates that are typically smaller than short-term rates.

⁴ Note that there may be flow out of the subbasin or basin identified. For example, a report by Geoscience Support Services, Inc. (1992) estimated that only 36 percent of the water recharged in the upper Lytle Creek area remains in the Lytle Creek subbasin, while most of it flows to the Rialto-Colton subbasin.

⁵ Recharge facility area based upon 4/11/03, SBVWCD Report: "SBVWCD Basin Storage Capacity for SAR and MC." Or by estimating using GIS.

Source: Upper Santa Ana River Watershed: Integrated Regional Water Management Plan. 2015.

In response to the draft staff report, SB Valley WCD clarifies the data in the chart above:

- SAR Spreading Grounds – Diversion capacity at Cuttle Weir is approximately 900 CFS, current capacity under Greenspot trail is 200-250 CFS. Enhanced Recharge Cooperative project is designed to increase to 500 CFS.
- Mill Creek Row - Two 50 CFS canals can deliver a peak of 100 CFS. Improvements are in design to upgrade the reliability at this capacity during more productive storm events.

In response to the draft staff report, Flood Control District clarifies the data in the chart above by noting that its Oak Glen and Wildwood basins are a part of the Yucaipa area basins.

Basin Descriptions

The following descriptions of the five sub-basins is taken from the Department of Water Resources Bulletin 118 (last updated 2004):

Bunker Hill Sub-basin

The Bunker Hill sub-basin underlies the San Bernardino Valley and comprises 120 square miles. This sub-basin is bounded by contact with consolidated rocks of the San Gabriel Mountains, San Bernardino Mountains, and Crafton Hills, and by several faults. The Santa Ana River, Mill Creek, and Lytle Creek are the main tributary streams in the sub-basin. Groundwater generally converges toward the Santa Ana River in the southwestern part of the sub-basin and discharges over the San Jacinto fault at Colton Narrows.

Recharge to the Bunker Hill Sub-basin historically has resulted from infiltration of runoff from the San Gabriel and San Bernardino Mountains. The Santa Ana River, Mill Creek, and Lytle Creek contribute more than 60 percent of the total recharge to the groundwater system. Lesser contributors include Cajon Creek, San Timoteo Creek, and most of the creeks flowing southward out of the San Bernardino Mountains. The sub-basin is also replenished by deep percolation of water from precipitation and resulting runoff, percolation from delivered water, and water spread in streambeds and spreading grounds.

Rialto-Colton Sub-basin

The Rialto-Colton Sub-basin underlies a portion of the upper Santa Ana Valley in southwestern San Bernardino County and northwestern Riverside County and comprises 47 square miles. This sub-basin is bounded by the San Gabriel Mountains on the north, the San Jacinto fault on the east, the Box Spring Mountains on the south, and the Rialto-Colton fault on the west. Lytle Creek drains this part of the valley

southeastward to its confluence with the Santa Ana River in the southern part of the sub-basin.

The principal recharge areas are Lytle Creek in the northwestern part of the sub-basin, Reche Canyon in the southeastern part, and the Santa Ana River in the south-central part. Lesser amounts of recharge are provided by percolation of precipitation to the valley floor, underflow, and irrigation and septic returns. Underflow occurs from fractured basement rock and through the San Jacinto fault in younger Santa Ana River deposits at the south end of the sub-basin and in the northern reaches of the San Jacinto fault system.

Riverside-Arlington Sub-basin

The Riverside-Arlington Sub-basin underlies part of the Santa Ana River Valley in northwest Riverside County and southwest San Bernardino County and comprises 92 square miles. This sub-basin is bound by impermeable rocks of Box Springs Mountains on the southeast, Arlington Mountain on the south, La Sierra Heights and Mount Rubidoux on the northwest, and the Jurupa Mountains on the north. The northeast boundary is formed by the Rialto-Colton fault, and a portion of the northern boundary is a groundwater divide beneath the Bloomington community. The Santa Ana River flows over the northern portion of the sub-basin.

The Riverside-Arlington Sub-basin is replenished by infiltration from Santa Ana River flow, underflow past the Rialto-Colton fault, intermittent underflow from the Chino Sub-basin, return irrigation flow, and deep percolation of precipitation.

San Timoteo Sub-basin

The San Timoteo Sub-basin underlies Cherry Valley and the City of Beaumont in southwestern San Bernardino and northwestern Riverside Counties and comprises 114 square miles. The sub-basin is bounded to the north and northeast by the Banning fault and impermeable rocks of the San Bernardino Mountains, Crafton Hills, and Yucaipa Hills, on the south by the San Jacinto fault, on the west by the San Jacinto Mountains, and on the east by a topographic drainage divide with the Colorado River Hydrologic Region. The surface is drained by Little San Gorgonio Creek and San Timoteo Canyon to the Santa Ana River.

Groundwater is replenished by subsurface inflow and percolation of precipitation, runoff, and imported water. Runoff and imported water are delivered to streambeds and spreading grounds for percolation.

Yucaipa Sub-basin

The Yucaipa Sub-basin underlies the southeast part of San Bernardino Valley and comprises 39 square miles. It is bounded on the north by the San Andreas fault, on the west by the Redlands fault and the Crafton Hills, on the south by the Banning fault, and on the east by the Yucaipa Hills. The average annual precipitation ranges from 12 to 28 inches. This part of the San Bernardino Valley is drained by Oak Glen, Wilson, and

Yucaipa Creeks south and west into San Timoteo Wash, a tributary to the Santa Ana River.

Dominant recharge to the sub-basin is from percolation of precipitation and infiltration within the channels of overlying streams, particularly Yucaipa and Oak Glen Creeks, underflow from the fractures within the surrounding bedrock beneath the sub-basin, and artificial recharge at spreading grounds. Four artificial recharge facilities were noted in 1967 by the Department of Water Resources with a total capacity of about 56,500 af/yr. By increasing the spreading acreage along Oak Glen Creek by 25-50 acres, the capability exists to spread 7,000 to 14,000 af of surface water annually to recharge the Yucaipa Sub-basin.

San Bernardino Basin Area

The Bunker Hill Basin and surrounding areas comprise the San Bernardino Basin Area. The Bunker Hill Basin is an adjudicated groundwater basin through a 1969 judgment in *Western Municipal Water District v. East San Bernardino County Water District* which appointed MUNI and Western Municipal Water District as Watermasters for the San Bernardino Basin Area. As Watermaster, MUNI is required to monitor and replenish the basin when surface diversions and groundwater extractions exceed the determined safe yield. The defining geologic characteristic of the basin is a topography that generally slopes from the foothills of the San Bernardino National Forest down to the San Bernardino Valley floor. The Santa Ana River is a major feature traversing the area, providing a major water supply source for groundwater recharge as well as drainage and flood control. Groundwater extraction and replenishment activities must be carefully balanced in the Bunker Hill Basin due to the unique hydrogeology of the basin. As its primary mission, the San Bernardino Valley Water Conservation District is also responsible for replenishment of the Bunker Hill Basin which it accomplishes through a network of canals, diversion structures, and percolation basins.

According to MUNI, groundwater storage in the San Bernardino Basin Area is currently 650,000 acre-feet lower than it was in the base year, 1934. This new, historic low storage level is about 78,000 acre-feet lower than the previous, historic low storage level recorded in 1965.

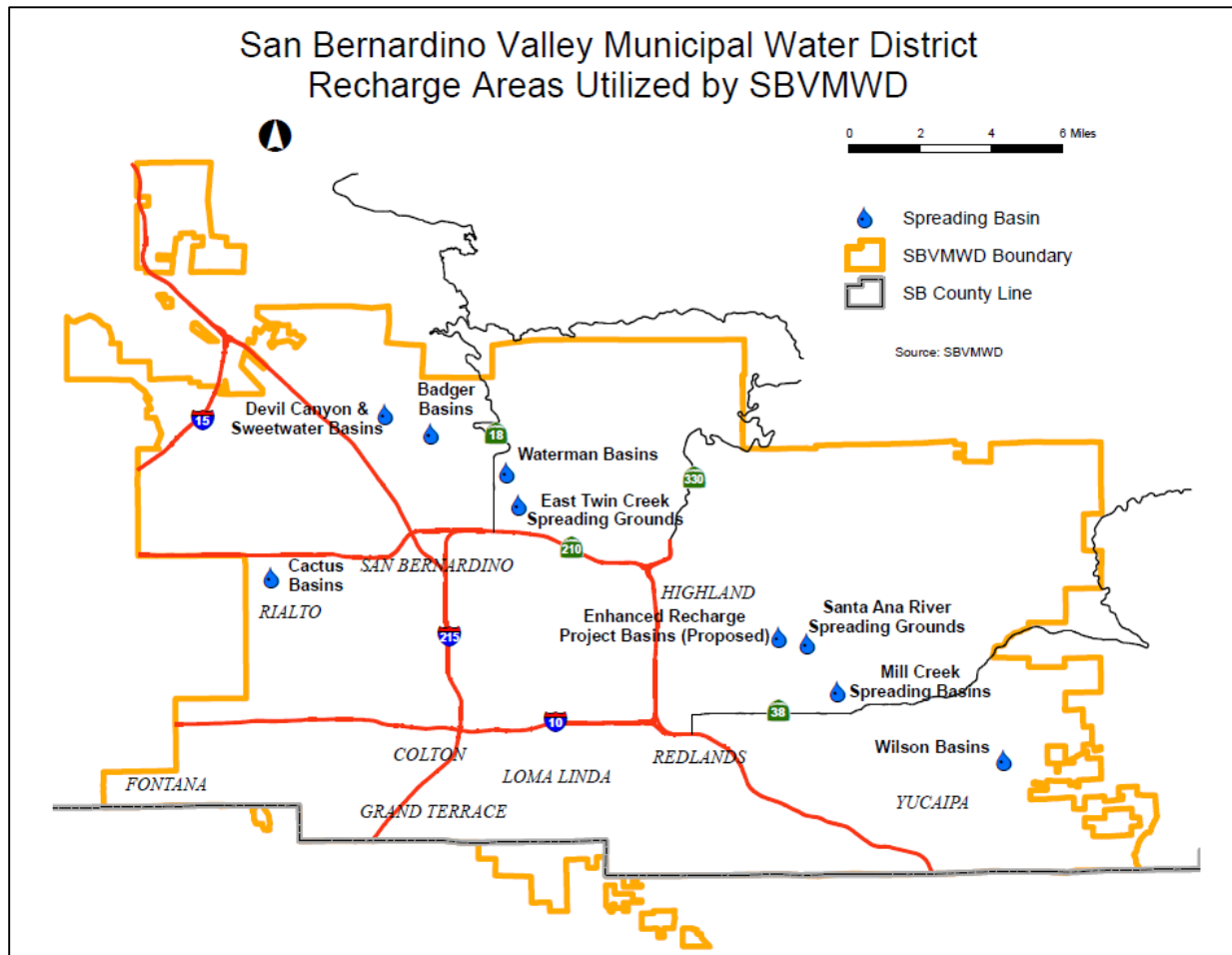
MUNI and SB Valley WCD cooperatively monitor and report on surface and groundwater for the Bunker Hill Basin. SB Valley WCD provides the Daily Flow Report for surface water and annual Engineering Investigation Report for groundwater levels and change in storage as required by the Water Code Section 75601.

San Bernardino Valley Municipal Water District

The San Bernardino Valley Municipal Water District ("MUNI") is responsible for long-range water supply management, including importing supplemental water, and is responsible for most of the groundwater basins within its boundaries and for groundwater extraction over the amount specified in the judgments. It has specific responsibilities for monitoring groundwater supplies in the San Bernardino and Colton-Rialto basins and maintaining flows at the Riverside Narrows on the Santa Ana River. It fulfills its responsibilities in a variety of ways, including importing water through the State

Water Project (“SWP”) for direct delivery and groundwater recharge and by coordinating water deliveries to retail agencies throughout its service area.

MUNI receives delivery of SWP water at the Devil Canyon Power Plant Afterbay, which is located just within its northern boundary. Water is conveyed 17 miles eastward to various spreading grounds, agricultural, and wholesale domestic delivery points in the San Bernardino Basin, which are shown in the figure below. Water is also conveyed westward for direct delivery and recharge in the Colton-Rialto basin.



Current and Future Projects

MUNI is currently undergoing or planning the following future recharge projects:²²

- The Enhanced Recharge in Santa Ana River Basins is a joint project with MUNI, the Western Municipal Water District, Riverside Public Utilities and SB Valley WCD. The first phase involves construction of intake improvements, a sedimentation basin, new canal, 96-inch diameter pipeline and new recharge ponds. The second phase involves construction of additional 96-inch diameter

²² Neil Nisperos, “Inland Empire Water Agencies Shoring Up Supply for Times of Drought,” *San Bernardino Sun*, 13 January 2015.

pipeline to connect to the Metropolitan Water District of Southern California 12-foot diameter Inland Feeder Pipeline. Phase 1 is currently in process and is expected to cost \$35 million. Overall, this project is expected to capture and recharge an average of 12,000 acre-feet per year. A grant from the Santa Ana Watershed Project Authority provides additional funding and SB Valley WCD provides land, environmental mitigation support and long term operations.

- **Riverside North Aquifer Storage and Recovery Project.** A rubber dam that will traverse the Santa Ana River just south of the 10-215 Freeway interchange. The new infrastructure is expected to provide an additional 12,800 acre-feet of water and will help recharge the area's water basin. \$25 million.

Active Recharge Project. New infrastructure to capture more storm water at various creeks connecting to the Santa Ana River. Estimated yield would mean an additional 26,000 acre-feet annually. The cost has yet to be determined, and the district is in the initial stages of identifying locations.

- **Plunge Creek Conservation Project.** New infrastructure and operations to direct and slow stormwater increasing recharge and habitat quality. The joint project with the USFWS and funding from Proposition 84 funding through the Santa Ana Watershed Project Authority, it will increase recharge by approximately 1,200 Acre feet per year on average and increase habitat for the endangered species in the lower Plunge Creek area.

The additional capture and recharge facilities are made possible by the granting of additional Santa Ana River water rights by the State Regional Water Quality Control Board in 2010. The rights were granted to water agencies within the boundaries of MUNI and Western Municipal Water District. Water agencies within MUNI have a right to 72 percent of the new water rights, while agencies within Western have a right to 28 percent of the new water rights (derived from the 1969 Stipulated Settlement (Judgment) that governs groundwater rights in the San Bernardino Basin Area). The water agencies also share proportionally in the cost of improvements to capture and recharge facilities on a proportional basis. The 1969 Judgment provides that the annual "adjusted right" of each plaintiff to extract and export water from the San Bernardino Basin Area is the sum of (a) its base right, which was adjusted based on a determination of safe yield and is currently expressed as a percentage of safe yield; and (b) an equal percentage of any new conservation, provided the conditions described in the judgment are met.

- Other Than Plaintiffs Safe Yield Adjusted Right: 167,238 ac-ft
- Plaintiffs Safe Yield Adjusted Right: 64,862 ac-ft
- Sum of Other Than Plaintiffs and Plaintiffs Safe Yield Adjusted Right: $167,238 + 64,862 = 232,100$ ac-ft
- Other Than Plaintiffs—base right expressed as a percentage: $(167,238 / 232,100) * 100 = 72.05\%$ (water agencies within MUNI)
- Plaintiffs—base right expressed as a percentage: $(64,862 / 232,100) * 100 = 27.95\%$ (water agencies within Western MWD)

San Bernardino Valley Water Conservation District

The San Bernardino Valley Water Conservation District (“SB Valley WCD”) and its predecessors have conducted groundwater recharge activities since 1912 or earlier in two areas that overlie the Bunker Hill groundwater basin in the San Bernardino Valley. These areas are at the upper end of the Santa Ana River wash area and on Mill Creek just upstream of the confluence with the Santa Ana River (collectively, the wash area). The SB Valley WCD diverts surface water flows during both storm and normal runoff from the Santa Ana River and Mill Creek and channels the flows into two separate systems of recharge basins where it percolates into the groundwater basin for later pumping and use by local entities and private producers.

To accomplish the recharge, the district maintains 71 water percolation basins in the Mill Creek and Santa Ana River spreading grounds. The district also plans for, maintains or leases over 3,600 acres in the Santa Ana River Wash at and below the confluence of the Santa Ana River and Mill Creek. With water years 2013 and 2014 being dry years, the district recharged all water that was available; 7,946 acre feet of water successfully recharged into the groundwater basin for the water year ending September 30, 2013 and 8,153 acre feet for the water year ending September 30, 2014.

Until 1979, the Mill Creek Spreading Property was owned by the City of Redlands with the SB Valley WCD operating the recharge functions. In 1979, the City deeded the property to SB Valley WCD for \$1 for the sole purpose of water spreading. However, the City retained full rights to operate, build, and expand water facilities on the property.²³ After 2005, a facility has been built and operates seamlessly with other SB Valley WCD facilities.

SB Valley WCD has two water right licenses that allow for up to 10,400 acre feet of Santa Ana River water to be diverted for groundwater recharge during certain periods during the year. SB Valley WCD also claims to hold certain quantities of pre-1914 water rights on the Santa Ana River and Mill Creek.

Community Strategic Plan

The Community Strategic Plan for SB Valley WCD was adopted during FY 2012-13 and expanded upon the district’s 2010 Strategic Plan. The Strategic Plan completed in 2010 was created to assist the district board and management in the development of a vision for the district shortly after the 2009 effort to consolidate the district was terminated. The purpose of the update was to assess progress from the 2010 plan and to evaluate certain elements of the 2010 plan for community support and financial feasibility. Certain expansion strategies and financial issues were of concern to various communities and district partners. The board set aside the approved plan and commenced with the short term actions and seeking community and partner feedback on the Community Strategic Plan. The following table summarizes the Community Strategic Plan goals as described in more detail as they relate to the district’s mission in the rest of the plan.

²³ Letter dated 2 August 2005 from City of Redlands to LAFCO regarding LAFCO 2919 (SB Valley WCD service review).

No. Community Strategic Plan Goal

- 1** Increase and enhance basin water resources and conservation management through core mission efforts and enhancement projects.
- 2** Provide effective stewardship of District lands for environmental, water conservation and habitat management through the Wash Plan.
- 3** Continue to develop and improve financially sound and efficient District organization with secure foundation to better serve District partners and communities.
- 4** Deliver services and programs to improve non-retail outdoor water use efficiency and new groundwater recharge in the valley watershed.
- 5** Support Trails and outdoor recreation identified in the Wash Plan and in cooperation with District Partners and Communities where financially viable.
- 6** Develop staff and District organization to support District Mission and regional projects and programs.
- 7** Support and lead regional efforts related to water conservation and management of natural resources with District partners and communities.

Mining

Responsibly planning, managing and developing the district's lands are key to the sustainability of the district and its land holdings. A strategic goal related to this area is to continue to develop an alternate long term funding mechanism for the district to mitigate rates for groundwater producers and to fund district land management needs.

An example of these development proposals is aggregate mining leases which pay royalties to the district. In 2011 the district negotiated a revised agreement with CEMEX to provide Minimum Annual Guaranteed revenue to the district in the case that they did not mine the resources. The district also has agreements with Redlands Aggregate for permitted aggregate mining. In addition, the district has a contract with Robertsons Ready Mix, including a prepaid \$5 million royalty, which provides for mining on district property when new permitting is completed under the Wash Plan.

Other AgenciesCity of San Bernardino

Per the City of San Bernardino City Charter, the City of San Bernardino operates its water functions through its Municipal Water Department which has its own general manager and Board of Commissioners. The City routinely purchases State Water Project water from MUNI and schedules deliveries with MUNI at the three spreading basins (Devil Canyon, Badger, and Waterman).

Yucaipa Valley Water District

There are two primary recharge facilities. Water recharge occurs in the Wilson Creek Basins and Oak Glen Creek Basins, both facilities are owned by the Flood Control District. The Wilson Creek Basins are operated by the Flood Control District, MUNI, and

Yucaipa Valley WD. The Oak Glen Basins are operated by the Flood Control District, MUNI, Yucaipa Valley WD, and the City of Yucaipa.²⁴ The Oak Glen Creek Basin impacts portions of the downstream areas of Oak Glen and Wilson Creeks. The project improves flood control and overflow capabilities, passive recreational opportunities, habitat mitigation, and assists the Yucaipa Valley WD in developing adequate groundwater recharge capabilities to meet the future needs of the Yucaipa community. The facilities reduce the amount of water flow and sediment movement in the downstream areas of Oak Glen and Wilson Creeks.

Agreement to Develop and Operate Enhanced Recharge Facilities

In 2012 an agreement to Develop and Operate Enhanced Recharge Facilities was entered into by the SB Valley WCD, MUNI, and Western Municipal Water District (Riverside County). The purpose for the agreement is to allow for collaboration by increasing opportunities to recharge local surface water supplies, as well as State Project Water, in the San Bernardino Basin Area by reducing the time and cost required to permit and construct essential public infrastructure (such as spreading basins); and by working together to achieve an efficient division of labor in the operation and maintenance of water infrastructure.

The goal of the agreement is to harmonize their water resource activities with other uses, for the optimization of coordinated use by all. The other uses include the mining of sand and gravel mineral deposits pursuant to existing leases, and habitat conservation and management, pursuant to a series of multi-agency cooperative initiatives (as yet unapproved) involving local, state, and federal resource management and control agencies. The parties agreed that they must increase groundwater storage in the basin in order to meet current and future demands for water among their constituents. The agreement term is for 25 years with optional renewals.

Pursuant to the agreement, SB Valley WCD is to lease its facilities and land with financial compensation for the purpose of recharging to MUNI and Western MWD, and such use shall be only for the purpose of recharging, storing or conveying water from any source into or through the percolation basins and other facilities owned or controlled by the SB Valley WCD. The Agreement also requires SB Valley WCD to, hold in reserve, money from the lease payments to prepare for basin cleaning.

Current efforts include coordinating engineering, environmental and other planning. In 2013 and 2014 SB Valley WCD supported the final design and permitting as well as the construction and initial operations of the Enhanced Recharge facilities. The district will support these efforts with current field staff and contract personnel. Upon completion of the facilities and initial operations the district will budget to add an additional field staff person to assist in the operations and maintenance of the new facilities, as needed.

MOU between MUNI and County Flood Control District

Flood Control District owns and operates a number of flood control facilities within MUNI's operational boundaries. MUNI and Flood Control District first entered into a

²⁴ County of San Bernardino. Agreement No. 08-30. 8 Jan 2008.

cooperative agreement for MUNI to deliver water to several Flood Control District detention basins for purposes of recharging the groundwater basin in 1972, and both agencies have continued to cooperatively use these facilities since.

In 2013, MUNI and County Flood Control District entered into a ten-year planning memorandum of understanding for the purpose of working together in the planning and evaluation of Flood Control District facilities for joint use by Flood Control District and MUNI for both flood control and groundwater replenishment operations.²⁵ The goal of the MOU is to maximize the amount of water recharge performed while acknowledging the primary goal of Flood Control District facilities is to maintain adequate flood protection for the safety and protection of the public.

OWOW Grant

In 2012, the SB Valley WCD was selected for a One Water One Watershed grant under the Santa Ana Watershed Project Authority ("SAWPA") Integrated Regional Water Management Planning program. This project seeks to increase water recharge and endangered habitat in the Upper Plunge Creek. This project developed in conjunction with the Flood Control District, MUNI, and U.S. Fish and Wildlife service will support increased recharge, significantly improve habitat and help restore the healthy function of Plunge Creek. As a collaborative project, its shared benefits efficiently provide services to the region and it is an opportunity to work together with the resources agencies and habitat managers in the region. The project is located on district-owned land east of Orange Street and south of Greenspot Road within Division 1 of the District.

Upper Santa Ana River Habitat Conservation Plan (Wash Plan)

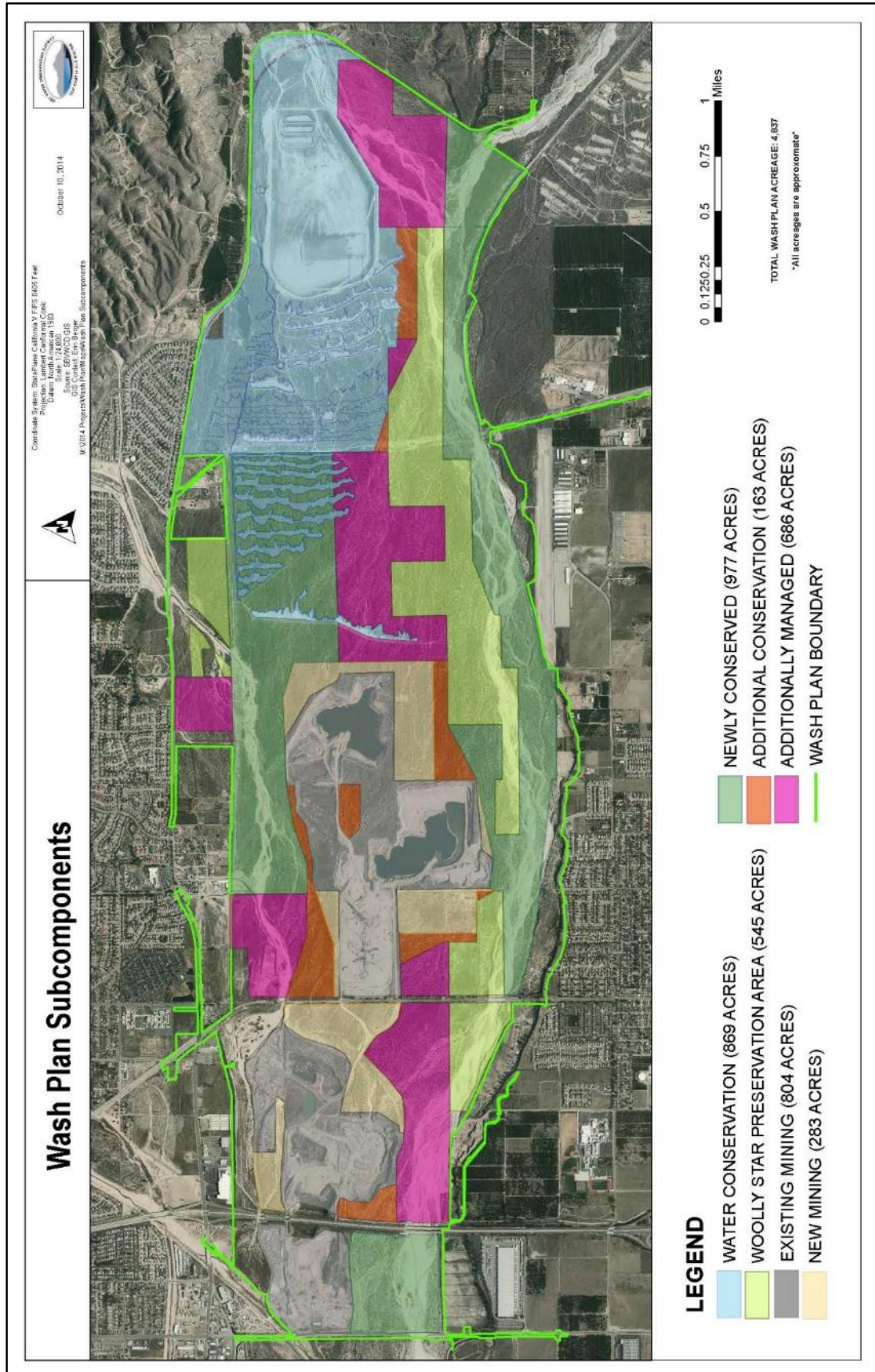
A key planning and management effort related to the land management enterprise is the Upper Santa Ana River Habitat Conservation Plan (also known as the Wash Plan). Located at the confluence of the Santa Ana River and Mil Creek the wash is bounded on south by the Santa Ana River, on the north and east by Greenspot Road, and continues west to Alabama Street. This plan is a long term environmental, infrastructure, and management approach to create a comprehensive program to manage the Wash Area. A map showing the Wash Plan sub-components is shown in the figure below; this map and a map of the Wash Plan covered activities are included as Attachment #2. The development of this plan has been and continues to be difficult and requires the participation of a Task Force, made up of stakeholder communities and partners as well as resource agencies, U.S. Fish and Wildlife Service, the Bureau of Land Management, and the California Department of Fish and Wildlife. The Task Force intends to have an approved program by Fall 2015.

In 2012 and 2013 the SB Valley WCD was able to work with the U.S. Fish and Wildlife Service to refocus efforts and increase progress toward completion of the Wash Plan Habitat Conservation Plan. The plan supports a land exchange between SB Valley WCD and the Bureau of Land Management to improve water recharge thereby enhancing local supplies and continuing to supply the region aggregate for local construction projects. This plan will contribute significant environmental improvements

²⁵ County Agreement No. 13-608. 23 July 2013.

May 13, 2015

to habitat for several endangered species including the San Bernardino Kangaroo Rat and the Santa Ana River Woolly Star plant in the wash. The plan also allows expanded water conservation facilities, mining, transportation and trails.



Advances to Wash Plan

SB Valley WCD provides various funding for Wash Plan operations on behalf of interested parties. Amounts are to be reimbursed to the district by members of the task force based on the Plan's formative agreement. As of June 30, 2014, the district received repayment of its 2013-14 expenses and its prior advances. The advancements and repayments for the past six audit years are shown below.

Year	2009	2010	2011	2012	2013	2014
Advances	\$0	\$8,242	\$68,875	\$51,142	\$26,459	\$150,043
Repayment	\$0	\$0	\$0	\$0	\$0	\$338,408

Habitat Management and Enhancement

Several strategic goals are related to this planning effort that are summarized by the Wash Plan's commitments to effective stewardship of easement lands owned and managed by the SB Valley WCD. According to SB Valley WCD, habitat management and enhancement in accordance with the Wash Plan is both a requirement and an opportunity for the district. However, SB Valley WCD is not authorized by LAFCO or State Law the function or service of habitat management or similar activity. Further, Water Conservation District Law does not allow for a water conservation district to provide habitat management services. Since March 2006, SB Valley WCD is authorized by LAFCO to provide "water conservation" and "surveys of water supply and resources" pursuant to the *Rules and Regulations of the Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts*. Should the district desire to actively provide habitat management and enhancement, it would need to receive special legislation to expand the scope of its authorized activities in Water Conservation District Law as well as submit an application to LAFCO requesting authorization to provide said service. As an alternative to SB Valley WCD providing habitat management and enhancement, the Inland Empire Resource Conservation District could perform this service as its parent act and LAFCO authorize it to do so.

According to SB Valley WCD, the land management aspects of the Wash Plan, however, will secure long-term mining leases and revenue streams to SB Valley WCD to pay for water conservation services, which is both "desirable" and "advantageous" to SB Valley WCD and the public.

Spreading in the San Bernardino Basin Area

Below is MUNI's recharge efforts within the San Bernardino Basin for years 2010-13:

Year	SBBA Recharge (all values in ac-ft)
2010	13,134
2011	14,540
2012	18,077
2013	7,937
Sum	53,688

Source: MUNI

C. Efforts to Reduce Consumer Consumption – Valley Wide

For efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by 2020), nor 2) responsible for helping the retail agencies within its boundary achieve their water use reductions as the water conservations districts are not “urban wholesale water providers”.²⁶

Santa Ana River Watershed Action Team

IEUA, Orange County Water District, MUNI, Western Municipal Water District, and Eastern Municipal Water District, formed the Santa Ana River Watershed Action Team (“TEAM”) to actively identify large-scale water supply and reliability projects that will provide benefits to the entire Santa Ana watershed. Some of the drought mitigation projects identified by TEAM include turf removal from commercial and residential landscaping, water use efficiency education, and technology based water conservation tools such as aerial imagery of the region to support future conversion to sustainable water budget rates by retail water suppliers.

A key goal for the TEAM is to secure grants and necessary funding, including Department of Water Resources Proposition 84 funding through the Santa Ana Watershed Project Authority’s “One Water One Watershed” (OWOW) program, to defray the cost to implement necessary projects. Such collaboration has enabled the Agency and partners to secure federal and state grant funding that has significantly advanced the capital investment in the region.

Inland Empire Garden Friendly

The Inland Empire Garden Friendly program was developed by the four major water suppliers of western Riverside and San Bernardino counties in California with cooperation from a university institute, conservation district and local botanic garden. The Inland Empire Garden Friendly program was created to assist consumers in locating and learning about climate-appropriate plants for the Inland Empire. The program provides educational opportunities and easily identifiable and obtainable sources of climate appropriate plants. The program conducts landscape workshops, plant sales, and provides information on water friendly plants and landscaping techniques. Its website is iegardenfriendly.com. The founding members are:

- Inland Empire Utilities Agency (San Bernardino County)
- San Bernardino Valley Municipal Water District (San Bernardino County)
- Chino Basin Water Conservation District (San Bernardino County)
- Water Resources Institute (San Bernardino County)²⁷

²⁶ Water Code 10608.36

²⁷ The Water Resources Institute is an academic partnership with the Southern California communities driven by the vision that sustaining water resources rests on sound research, analysis and public policy collaboration.

- Eastern Municipal Water District (Riverside County)²⁸
- Western Municipal Water District (Riverside County)²⁹
- Rancho Santa Ana Botanic Garden (Los Angeles County)³⁰

D. Efforts to Reduce Consumer Consumption – West Valley

Inland Empire Utilities Agency

In 2009, IEUA worked with its member agencies, to create a Regional Water Use Efficiency Partnership Workgroup. The Workgroup initiated an eight-step process that resulted in the creation of a regional Water Use Efficiency Business Plan to guide its future conservation efforts. The purpose of the Plan is to create the strategy to meet the region's per capita water demand goals. Among the proposed actions that the Regional Water Conservation Partnership Workgroup agreed to follow to implement the Plan include the following:

- Maintain existing and new conservation programs that assist the retail water agencies in complying with new regulatory initiatives.
- Maintain existing and develop new conservation programs that achieve a 10 percent reduction in annual water use over the next five years.
- Work with member agencies to coordinate conservation programs to optimize regional savings and streamline reporting requirements.
- Manage regional water use efficiency programs, incentives, and associated funding.

The Plan also identifies cost-effective water use efficiency programs to be implemented in order to achieve regional conservation goals. These programs place a strong emphasis on landscape irrigation efficiency since landscape water use represents a significant portion of the total water demand for the IEUA service area. These plans include: high efficiency nozzle installations, smart controllers for larger landscape sites, turf removal, water budgets, landscape evaluations, and education and outreach programs.

IEUA is a member of the Metropolitan Water District of Southern California ("Metropolitan"). Metropolitan provides rebates to Commercial, Industrial, and Institutional ("CII") customers for various water saving technologies through the Save a Buck Rebate Program and Public Sector Program. Rebates vary from \$30 to \$2,250 depending on the water savings device. The rebate eligible devices include high

²⁸ Since its formation in 1950, Eastern Municipal Water District has matured from a small, primarily agricultural-serving agency, to one whose major demands come from domestic customers.

²⁹ Western Municipal Water District was formed by the voters in 1954 to bring supplemental water to growing western Riverside County. Today, the District serves roughly 24,000 retail and eight wholesale customers with water from the Colorado River, State Water Project and groundwater.

³⁰ Rancho Santa Ana Botanic Garden promotes botany, conservation and horticulture to inspire, inform and educate the public and the scientific community about California's native flora. The Garden is devoted to the collection, cultivation, study and display of native California plants and to graduate training and research in plant systematics and evolution.

efficiency toilets, waterless urinals, cooling tower conductivity controllers, synthetic turf, pressurized water brooms, weather sensitive irrigation controllers, and locally implemented residential rebate programs, including the Landscape Turf Removal Program and the Landscape Retrofit Program. These rebate programs provide financial incentives to the CII sector to participate in water conservation activities in a cost effective manner.

Each year, IEUA prepares a comprehensive water-use efficiency report (Annual Water Use Efficiency Programs Report) which captures all of the activities from the past fiscal year. This report tracks the progress that has been made against the goals and objectives, identified in its long-term Water-Use Efficiency Plan. Member agencies receive service area specific data, which serves as a roadmap for developing the next annual budget and assists in evaluating overall program performances. For FY 2012-13, the direct water savings achieved through these regional water conservation activities is estimated at 646 acre-feet per year with an average lifetime savings of 7,376 acre-feet. For FY 2013-14, the direct water savings achieved through these regional water conservation activities is estimated at 486 acre-feet per year with an average lifetime savings of 4,216 acre-feet. These new water savings are in addition to IEUA's cumulative lifetime water savings of 101,983 acre-feet for all conservation activities since 1992.

IEUA operates the Chino Creek Wetlands and Educational Park located adjacent to the IEUA headquarters in Chino.³¹ The park consists of 22 acres that have been landscaped with a wide variety of "California Friendly" trees and grasses and features a state-of-the-art irrigation management system. Some of the key components of the park are the community education elements that weave throughout the site. The park serves as a demonstration area for the community on improving water supply, storm water treatment and water efficiency. It is a place for individuals to enjoy at their leisure as well as a facility to provide educational programs to students. The park's construction was partially funded by a grant from the State Water Resources Control Board. The Park's Water Discovery program has received a total of 212 field trips with 10,890 students since the inception of the program. In addition to the field trips, 7,266 community members and 4,384 students have taken part in IEUA's annual Earth Day celebration since 2007.

Since 2004, IEUA has reached over 19,000 students with its Garden in Every School program.³² The Garden in Every School Program educates the school, family, and community about water-wise usage through a garden landscape, featuring drought tolerant plants and efficient irrigation. The program works as an assisted grant: first, applicants participate in a mandatory introductory workshop. Then, selected applicants are awarded a grant valued at \$4,500 for IEUA to assist in the installation of an up to 2,000 square foot garden. The garden is designed, created, and installed through a series of hands on work sessions with teachers, parents, students, and program staff. IEUA participating agencies are eligible to participate in this program.

³¹ The Chino Basin Water Conservation District and Monte Vista Water District are among the sponsors of the park.

³² Sponsors of the program include: Inland Empire Utilities Agency and the Regional Conservation Partnership, composed of the Cities of Chino, Chino Hills, Ontario, Upland, Cucamonga Valley Water District, Monte Vista Water District, Fontana Water Company and San Antonio Water Company.

Additional IEUA programs include its Solar Cup (sponsoring race-powered boats in a high school competition), School Assembly Program (sponsoring National Theater for Children focusing on water supply issues and water savings tips), and STEM (offering schools with STEM activities).

Chino Basin Water Conservation District

A primary function of Chino Basin WCD, as identified by its mission statement, is educating the community to conserve water as well as assisting the community in retrofitting efforts. The district opened its renovated Water Conservation Center campus in 2014. The Center includes a landscape design room where one can draft a water wise landscape, classroom that holds 50 people, an educational lobby exhibit and a dedicated classroom building and edible garden area for Children's Education. The newly renovated water-wise demonstration features nine demonstration zones with over 300 water wise plant species arranged by type and water needs. The 1.5 acre garden is open to the public for self-guided or staff guided tours and includes educational signage and demonstration exhibits that teach about water-wise landscaping, efficient irrigation and good maintenance practices. The district site also includes a demonstration parking lot that showcases various permeable pavements and Low Impact Development techniques; and a wilderness park that contains examples of 40 tree species that require low water - both are open to the public. At the Center, the district conducts workshops, hosts public events, accepts and actively pursues field trip visits from schools, and showcases various construction and landscape designs that reduce water consumption. In 2012-13 the district taught 24 workshops which had an average attendance of 25.

One of the district's longest running programs, an annual Earth Day field trip event, has reached over 25,000 5th graders with water conservation education since 1992. The district also offers daily teaching field trips, focused on water conservation and with curriculum that is compliant with state education standards. This past school year the program reached over 4,300 local school children, their teachers and many parents. In addition to these on-site programs, the District runs a water conservation poster contest which received 2,600 entries from 133 classes last year and a grant program that, since 1999, has provided up to \$5,000 for college bound students who are studying towards a career in a water related field.

Landscape Audits

The district administers landscape and irrigation audits in partnership with IEUA and the eight member retail member agencies. Additionally, the district conducts landscape design consultations, and has financially assisted public schools and parks within its boundaries to help offset the costs of onsite irrigation system conversion as a result of connecting to the recycled water system, thus reducing the need for potable water. Chino Basin WCD also provides incentives for public sector schools and parks within its service area. The figure below identifies the district's landscape audit program performance from FY 2007-08 through FY 2013-14.

Chino Basin WCD – Landscape Evaluation and Audit Program

Year	Total Site Audits	Total Irrigated Acreage Audited	Total Potential Water Savings (AF/yr)
FY 07-08	24	36	196
FY 08-09	135	289	782
FY 09-10	105	114	303
FY 10-11	78	86	173
FY 11-12	114	64	71
FY 12-13	48	14	49
FY 13-14	83	15	38

Source: IEUA, Annual Water Use Efficiency Programs Report, FY 2013-14

Conservation Contracts with IEUA

Other agencies contract with Chino Basin WCD to provide conservation programs on its behalf. Documents provided by the district identify IEUA as the main agency that contracts with the district to carryout efforts to reduce consumer consumption. Below is a summary of the current contracts between Chino Basin WCD and IEUA.

- Implementation and Completion of Landscape Audits for Customer Sites Currently Identified as Potentially Significant Water Conservation Candidates within the IEUA Service Area.
 - Contract Date: September 2010
 - Latest Amendment Date: August 2014
- Residential Landscape Training Program
 - Contract Date: January 2011
 - Latest Amendment Date: August 2014
- Dedicated Irrigation Landscape Meters Water Budget Program
 - Contract Date: December 2012
 - Latest Amendment Date: August 2014
- Implementation and Completion of Landscape Transformation Services for Customer Service within the IEUA Service Area
 - Contract Date: July 2013
 - Completed July 2014
- Garden in Every School Program Services within the IEUA Service Area
 - Contract Date: September 2013
 - Latest Amendment Date: November 2014

Service Outside of Boundaries

Chino Basin WCD administers landscape and irrigation audits in partnership with IEUA and the eight member retail member agencies, and other agencies contract with the district to provide conservation programs on its behalf.

Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. Even though the district's parent act, Water Conservation District Law of 1931, does not explain this circumstance, Section 56133 subjects all those agencies under LAFCO purview to this requirement. However, the law provides for exemptions such as for contracts issued prior to January 1, 2001 for contracts or agreements solely involving two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.

Should it be necessary to request an exemption on the basis of two government agencies contracting for service, LAFCO staff recommends that the district submit an application to LAFCO requesting an exemption under Government Code 56133(e).

Weather Based Irrigation Controllers

In July 2012 the Bureau of Reclamation contracted with the district to install 300 Weather Based Irrigation Controllers in residential homes within the district's service area and provide two years of data monitoring. The Program currently provides better irrigation management for 300 residential accounts and the reduction of approximately 225 acre-feet per year of water supply year-round. Indirect benefits from reduced water use include reduced energy costs and greenhouse gas emissions from water conveyance, deferred generation of new water sources, and water quality benefits from reduced urban runoff. Additionally, the program assists water agencies within the district's service area comply with the 20x2020 Water Conservation Plan. The contract stipulates that the Bureau and the district equally split the program cost at roughly \$92,000 each. The potential savings per home is 0.1625 acre-feet per year ("AFY") which equates to 49 AFY savings after all 300 controllers are installed.

Qualified Water Efficient Landscaper Certification Program

The Qualified Water Efficient Landscaper (QWEL) Program (developed by the Sonoma Saving Water Partnership and the Environmental Protection Agency) provides landscape professionals with 20 hours of education on principals of proper plant selection for the local climate, irrigation system design and maintenance, and irrigation system programming and operation. QWEL certification is a valuable tool for consumers to be able to select landscape and maintenance professional who understand and have value for water and resource conservation. Seven district staff are QWEL certified and can teach the class to others. The District has received QWEL Board and EPA certification as an adopter of the QWEL program and as an EPA WaterSense Labeled Professional Certification Program provider.

Other Agencies

For the other public agencies in the West Valley, conservation efforts can be categorized in three ways: funded by the agency alone, in partnership with another agency/district or regional programs. Focusing on those funded by the agency alone, all

of the other agencies in some manner provide water conservation materials to its customers and have programs in order to reduce consumer consumption. Below are examples of these efforts as provided by the agencies.

City of Chino

In 2009, the City of Chino amended its Water Conservation Ordinance to respond to the then current water shortage caused by drought conditions prevailing in the state. The Ordinance implements Water Conservation measures to reduce the quantity of water used by persons in the City. The ordinance further defines permanent measures to prevent the waste of water resources and also defines three stages of water shortage contingency where additional measures of potable water use are limited or curtailed. The City administers a code compliance program designed to increase public awareness of municipal codes such as the Water Conservation Ordinance. The City's retail water rates are based on volumetric rates which meets the definition of "Conservation Pricing" as defined by the California Urban Water Conservation Council.³³ Additionally, the City employs a Water Conservation Coordinator.

City of Chino Hills

The City of Chino Hills has adopted an ordinance to minimize the potential for water shortage through the practice of water conservation.

City of Upland

Landscape classes are primarily sponsored by the City. The classes are paid entirely by IEUA as part of its annual regional conservation program. Additionally, the City is retrofitting City facilities (park and median irrigation systems, restroom facilities, and turf removal). Although these are partially funded by rebates, the City has made the largest contribution financially and administered the programs with City staff. Upland recently received a grant from the Bureau of Reclamation for Weather Based Irrigation Controllers in medians which was completed in 2014. The City also tested some unique products including geyser stops, water fountains that refill water bottles and a DVD specifically made for Upland showcasing its unique water resources, conservation methods and the water system. The City employs a water conservation specialist and also has a water conservation ordinance.

Cucamonga Valley Water District

The Cucamonga Valley Water District provides a quarterly newsletter, *The Pipeline*, to customers, conducts landscape workshops, conducts landscape tours, and has conservation information available on its website.

³³ The California Urban Water Conservation Council was created to increase efficient water use statewide through partnerships among urban water agencies, public interest organizations, and private entities. The Council's goal is to integrate urban water conservation Best Management Practices into the planning and management of California's water resources.

The district and the Frontier Project operate demonstration gardens which are open to visit each weekday. The gardens provide information on water wise landscaping and feature over 100 water savvy plants. Additionally, the district provides landscape consultations for the homes of district customers to identify water waste in the home's landscape. Each spring, the district hosts a Water Savvy Garden Tour (previously Landscape Tour) to educate residents about the beauty and benefits of water saving landscapes. Since its inception in 2009, the Water Savvy Garden Tour has educated over 600 residents on how they can make changes in their yards to use water efficiently.

Monte Vista Water District

The Monte Vista Water District has a robust water conservation program and provides regular communications to its customers regarding these programs. The district has also developed a special water conservation communication campaign, "Watch the Water," which seeks to heighten customers' awareness of how and when they use water in their daily lives. Within the past five years, the district has declared water shortages and requested that customers adopt additional conservation measures. The district in 2010 adopted a tiered rate structure.

The district regularly communicates about conservation with its customers using multiple methods and media, including but not limited to the following: its newsletter, *The Waterline*, which is inserted into bimonthly customer bills 2 -3 times per year, bill inserts, information provided on its website, and presentations delivered to community groups, at educational events, and before gardening classes.

Fontana Water Company

The Fontana Water Company provides water conservation materials to its customers, conducts gardening workshops, has a high-efficiency toilet program, has adopted two-tiered water conservation rates per direction of the California Public Utilities Commission, and has adopted a Water Conservation and Rationing Plan.

Other Efforts

Formed in 1989 by various agencies in Los Angeles and San Bernardino County, the Water Education Awareness Committee ("WEWAC") works with school districts to promote water conservation, acquaint children and adult consumers with the critical importance of water, provide them with information on water use efficiency, and sponsor teachers' Project Water Education for Teachers training. WEWAC members co-sponsor educational programs for students at all grade levels. WEWAC's website, www.UseWaterWisely.com, provides user friendly information to the general public. Members in San Bernardino County include: Cities of Chino, Chino Hills, Ontario, and Upland; and the Chino Basin WCD, Cucamonga Valley Water District, Fontana Water District, Golden State Water Company, IEUA, and Monte Vista Water Company.

E. Efforts to Reduce Consumer Consumption – East Valley

iefficient.com

A group of water agencies in east San Bernardino County and north Riverside County surveyed about 400 residents in March 2014 to determine their knowledge of several water related facts as a way of determining the kinds of messaging water agencies need to do to better inform their customers.

The group launched a public relations campaign and a website at www.iefficient.com to heighten public awareness of water facts and the things businesses and residents need to do to conserve water, not just during the current drought, but on an ongoing basis. In San Bernardino County, the members include: the Cities of Colton, Loma Linda, and Redlands; East Valley Water District, Marygold Mutual Water Company, Riverside Highland Water Company, MUNI, SB Valley WCD, Western Heights Mutual Water Company, and Yucaipa Valley Water District.

San Bernardino Valley Municipal Water District

MUNI offers large water users (1,500 ccf per year, or higher) a financial incentive to invest in weather stations and weather based irrigation controllers, and has developed a brochure that offers a variety of water efficient plants that do well in the Southern California climate.

MUNI Contract with IERCD

The performance of environmental education programs to a variety of audiences within the district's service area is a key function of the Inland Empire Resource Conservation District ("IERCD"). The original contract between MUNI and the IERCD for performance of Water Use Efficiency presentations was signed in 2007, making MUNI one of the IERCD's most critical education partners. The Water Use Efficiency programs performed on behalf of MUNI focus on MUNI's core function and central role in provision of water to residents in the Inland Empire as well as importance of and methods for water conservation. In addition to the interactive discussion, students also participate in either the 3D model illustrating local water connectivity and need for conservation, or in planting and taking home a drought-tolerant native California plant.

Water Use Efficiency Program

As a wholesaler, MUNI is not responsible for the demand reductions required by the Water Conservation Act of 2009 – SBX7-7 (10% demand reduction by 2015 and 20% by 2020) but is responsible for helping the retail agencies within its boundary achieve their water use reductions (Water Code §10608.36). MUNI's water use efficiency program is designed to help the retail agencies within its service area achieve their demand reductions through:

- Weather Based Irrigation Controller Program (WBIC) – Muni pays 50% of the installation and maintains the weather stations for free, water savings 20%

- Provides free sprinkler nozzles (25% cost from MUNI, 75% from retail agency), water savings 30%
- Inland Empire Garden Friendly Program – MUNI pays 90%, water savings 70%
- Rebates (efficient toilets, nozzles, washers, etc.) – MUNI pays 25%
- Regional Rebate website – one location for retail customers to find rebate programs. MUNI pays 25% of website cost and all of hosting cost.

San Bernardino Valley Water Conservation District

SB Valley WCD also participates with the IERCD in its Elementary School Education efforts. By partnering with the IERCD the District can convey messages about conservation and its efforts to help while supporting the existing programs. This cost effective program shares staff and facilities, and achieves multiple goals at a low cost.

The District currently budgets very limited funding toward conservation education and outreach efforts. Instead, it focuses on water recharge efforts in cooperation with other agencies.

SB Valley WCD is the local sponsor (with the Basin Technical Advisory Committee, Conservation Subcommittee) to provide QWEL training for landscapers. Instructors are to be drawn from local district conservation staff and IERCD staff. The district cosponsored the cost of the training for participants from the service area. The training was held in cooperation with Chino Basin WCD at their facilities in December 2014. In response to the draft staff report, SB Valley WCD states that it works closely with agricultural and commercial groundwater producers to address conservation opportunities and is an active participant in the regional iEfficient program and helps fund the program.

Other Agencies

City of San Bernardino Municipal Water Department

The City of San Bernardino Municipal Water Department has approved water rates including water conservation charges and tiers as well as water supply shortage measures as a result of natural disasters or other emergency events. In 2010 the City implemented a Replenishment Charge as part of the rate structure to recover the cost of water purchased to replenish the basin in the amount of \$0.09 per billing unit (100 cubic feet of water, or about 750 gallons). Since the Replenishment Charge was established in 2010, the City has purchased and delivered a total of over 65,000 acre-feet in three spreading basins (Devil Canyon, Badger, and Waterman).

Additionally, the City engages in activities to reduce consumer consumption:

- Annual Water Conservation Poster Contest
- Bi-Annual Drought Tolerant Landscaping Class Flyer
- Bill Inserts / Plant Sale Flyers
- Free Household Conservation Kit (contents & installation instructions)

- Water Conservation Rebate Program (toilets, sprinklers, washing machine, drought-tolerant plants)
- Water Conservation / Education Elementary- Middle Schools
- Literature/Handouts for various local public events

City of Redlands

The City of Redlands Water Conservation Plan is codified in its Municipal Code (Section 13.06). The conservation programs of the City include a water efficiency rebate program, water audits, annual poster contest, handouts, webpage, as well as employing a conservation coordinator. At City Hall the planters have been replaced with drought tolerant plants and information on drought-tolerant plants is accessible at this location.

South Mesa Water Company

At this time the South Mesa Water Company does not have recharge facilities, but it is conducting a ground water study within the Yucaipa basin. Through this study it is working with MUNI, USGS, and Geoscience to find the best locations for potential recharge.

West Valley Water District

The West Valley Water District in 2010 adopted its first Water Conservation Program that addressed issues related to the Best Management Practices set forth by the California Urban Water Conservation Council, which substantially addresses the measures the district is taking to meet the requirements of the Water Conservation Act of 2009. Effective January 2013 rates are now tiered pricing to promote conservation.

Efforts to reduce consumer consumption include: a water conservation coordinator position, water conservation poster contest, quarterly newsletter, waterwise demonstration garden, conservation section of website, new customer packet, partnership with MUNI to promote Weather Based Irrigation Control program, workshops and classes, water audit program, Inland Empire Garden Friendly Program, and rebates for efficient fixtures (25% cost share).

Yucaipa Valley Water District

The Yucaipa Valley Water District disseminates materials via workshops, facility tours, school programs, website, and community events, as well as employing a water resource manager. The district actively participates as a partner in California Urban Water Conservation Council, which requires the district to comply with the Best Management Practices for water conservation.

Inland Empire Resource Conservation District

According to the Inland Empire Resource Conservation District, it provides the following services for water conservation education/outreach:

- Installation of small demonstration gardens on campuses of community centers and schools; since 2012 the district has installed 11 of these which involve approximately 40 plants, mulch, rock, and accompanying education programming.
- Performance of water conservation-focused educational programming in K-12 campuses throughout the district. The district performed 176 of these programs last year, most of which were funded by its water provider partners in individual service areas including:
 - San Bernardino Valley Municipal Water District
 - San Bernardino Valley Water Conservation District
 - The City of San Bernardino Municipal Water Department
 - Yucaipa Valley Water District
 - West Valley Water District

F. Conclusion for Determination III.

Integration of flood and stormwater management strategies with recharge and conjunctive use opportunities contributes to water supply reliability in the region. The San Bernardino Valley region has been significantly urbanized over the past several decades and the area continues to grow with numerous in-fill development projects. As the amount of impervious surface increases with urbanization, the runoff, and, therefore, storm and flood flows are also increasing. Without adequate flood control systems to capture and contain these surface waters for recharge, the opportunities for water supply, water quality, and environmental improvement are greatly lessened or lost. Therefore, formulating strategies to further capture storm runoff and use it for recharge of the groundwater basins will provide both flood management and water supply benefits to the region.

As identified by the Department of Water Resources, the Chino, Bunker Hill, and Riverside-Arlington basins have been designated as High Priority basins and the other basins as Medium Priority basins for future monitoring. Within the Chino Basin, storm water recharge has declined significantly since FY 2010-11 (due to the drought), being less than the storm water recharge average during the previous 10 years. Recycled water was first considered a recharge source to reduce reliance on imported water from the Metropolitan Water District of Southern California. However, due to the current drought and restrictions placed upon the State Water Project, recycled water has now become a necessity for the basin. In the San Bernardino Basin Area, groundwater storage is now at the lowest level in recorded history, easily surpassing the previous low point in 1964, which took place at the end of a 20-year drought. In turn, multiple recharge and recovery projects are moving forward to be able to capture and use as much of the local supply as possible in order to lessen reliance on the State Water Project.

In response to efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by

2020), nor 2) responsible for helping the retail agencies within their respective boundary achieve their water use reductions as the water conservations districts are not “urban wholesale water providers”. The Inland Empire Garden Friendly program was developed by the four major water suppliers of western Riverside and San Bernardino counties with cooperation from a university institute, conservation district and local botanic garden. The Inland Empire Garden Friendly program was created to assist consumers in locating and learning about climate-appropriate plants for the Inland Empire.

Specific to the West Valley portion of the region, the Chino Basin WCD has long provided water conservation sustainability services to its constituents through demonstration and education and it provides this service well. To further its demonstration and education service, it opened its Water Conservation Center campus in 2014. However, the service of Chino Basin WCD is limited to within its boundary which encompasses only a portion of the Chino Basin. Chino Basin WCD has received QWEL (Qualified Water Efficient Landscaper Board) and EPA certification as an adopter of the QWEL program and as an EPA WaterSense Labeled Professional Certification Program provider. QWEL certification is a valuable tool for consumers to be able to select landscape and maintenance professional who understand and have value for water and resource conservation. Seven district staff are QWEL certified and can teach the class to others.

For the East Valley portion of the region, the SB Valley WCD currently budgets very limited funding toward conservation education and outreach efforts. Instead, it focuses on water recharge efforts in cooperation with other agencies such as providing school and other outreach through Inland Empire Resource Conservation District. Additionally, SB Valley WCD actively supports and helps fund the iEfficient initiative, leads a Basin Technical Advisory Committee subcommittee for landscape education for implementing the qualified water efficient landscaper program (QWEL), and has a certified trainer on staff.

Determination IV.

Financial ability of agencies to provide services

This determination outlines the accounting practices of the agencies, 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 agencies' financial documents from the agencies and public sources: San Bernardino County Assessor, San Bernardino County Auditor, California Public Employees Retirement System, and the California State Controller's report for cities and special districts.

This Determination reviews two water conservation districts and the governmental activities of the two municipal water districts, and is organized as follows:

- A. Property Tax
- B. Fiscal Indicators to include Service Obligation, Liquidity, Debt Service (Governmental), Pension Payments, and Other Post-Employment Benefits Payments
- C. Additional Information on Governmental Activities
- D. Appropriations Limits
- E. Posting of Annual Compensation
- F. Conclusion for Determination IV

A. Property Tax

The two municipal water districts receive a healthy share of the one percent general levy. Property tax revenue is the primary revenue source for the Chino Basin WCD, and the SB Valley WCD receives a small amount of property tax revenue for its general operations, comprising two to four percent of revenue.

Property Tax Rates

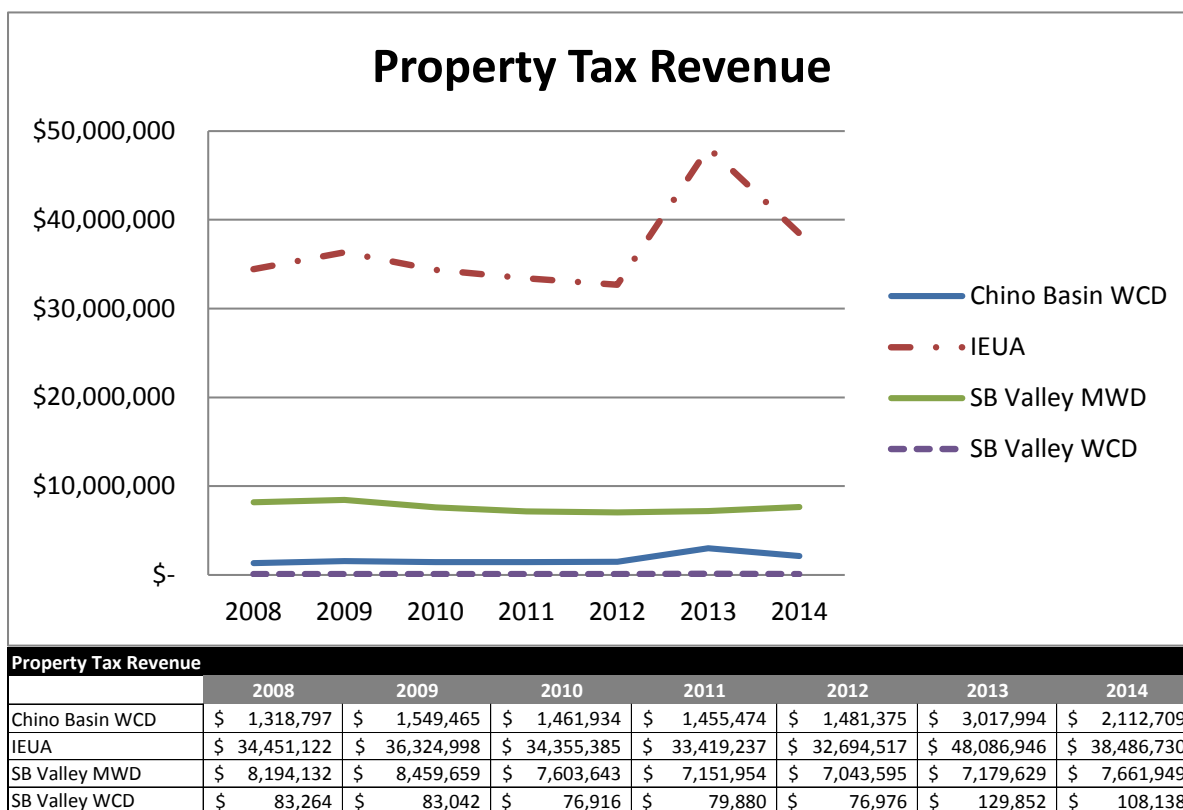
The table below is a breakdown of the share that each agency receives within its boundaries. As shown, for water conservation districts property taxes are collected on the assessed value of land only, not to include improvement value. SB Valley WCD receives just 0.03% of every property tax dollar collected which does not result in significant revenue. Conversely, as discussed in the property tax section below, the tax receipts for the Chino Basin WCD result in significant revenue for its water conservation education operations. As for IEUA, most areas of the agency contribute two shares of the general levy tax: 1) the first is identified as Improvement District C which comprises all but seven tax rate areas of the agency, and 2) a second share from its original boundary and its subsequent annexations.³⁴

³⁴ Seven tax rate areas for IEUA do not contribute to Improvement District C.

Agency Property Tax (as identified by County Assessor)	Avg. Agency Share of 1% General Levy	No. of Tax Rate Areas in 2013-14	No. of Tax Rate Areas with Allocation
Chino Basin WCD, land only	0.30%	301	244
IEUA, Imp. Dist. C (most of district)	2.90%	673	564
IEUA, Original (original boundary)	1.60%	310	273
IEUA, Bryant (annexation)	1.70%	3	2
IEUA, Mid Valley (annexation)	1.50%	365	292
IEUA, 1969 Annex/Imp. Dist. 1	3.80%	22	2
SB Valley MWD	2.80%	752	555
SB Valley WCD, land only	0.03%	237	181

Property Tax Revenue

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. However, this is particularly problematic when the overall tax base is capped at a maximum two percent growth under Proposition 13 (not to include property sales) and while districts experienced 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.



In 2012-13 the agencies received a large property tax distribution due to one-time payment for the agency's share of the unobligated funds returned by the Redevelopment Successor Agencies for re-distribution to eligible taxing agencies. The

“one-time” receipts are the result of the dissolution of redevelopment agencies which took effect on February 1, 2012. Those agencies in the Chino Basin benefited more than those in the San Bernardino Valley due to the number of redevelopment agencies.

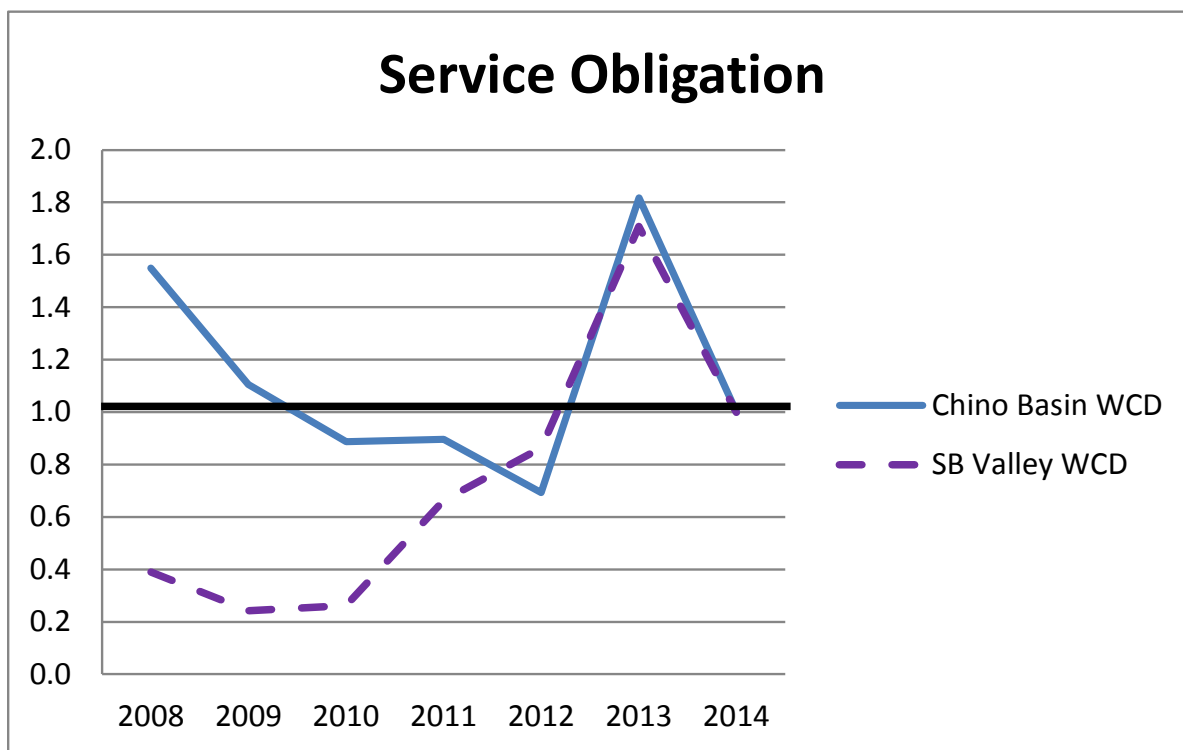
For IEUA, a majority of the increase in non-operating revenues was due to the Successor Agency Pass-through Payment increase of \$9.3 million over the prior year.

B. 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 indicators are for the governmental activities of the districts (water conservation/recharge); this does not include the business-type activities of IEUA or MUNI. As of March 3, 2015, the FY 2013-14 audit has not been completed for one district, therefore the fiscal indicator analysis is through 2012-13.

Service Obligation

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.



Service Obligation							
	2008	2009	2010	2011	2012	2013	2014
Chino Basin WCD	1.5	1.1	0.9	0.9	0.7	1.8	1.0
SB Valley WCD	0.4	0.2	0.3	0.7	0.9	1.7	1.0

SB Valley WCD's healthy increase in this indicator can be attributed to both an increase in operating revenues and a decrease in operating expenditures.

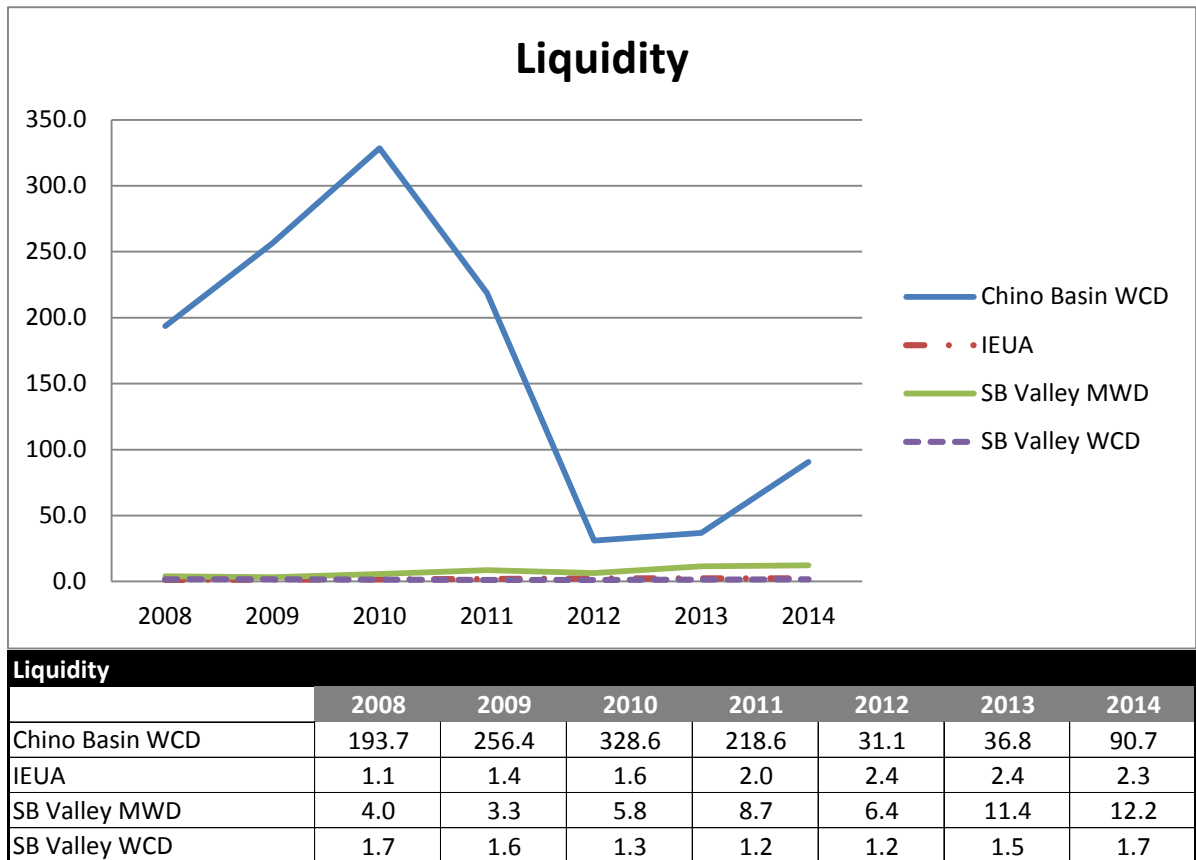
The following explains the decline identified above for Chino Basin WCD:

- 2009 – Property tax revenues increased and interest earnings decreased causing an overall decrease in revenue; expenses increased due to increased personnel and beginning first phase of the District's capital improvement plan to construct new office headquarters and educational facility.
- 2010 – Property tax revenues and interest earnings decreased; expenses for programs and continuing capital improvements were offset by a decrease in grounds maintenance expenses due to on-going construction.
- 2011 – Property tax revenues and interest earnings decreased; expenses for increased personnel, programs, and basin maintenance expenses, in addition to continuing phases of the District's capital improvement plan were offset by a decrease in public education activities at the District due to construction at District facilities.
- 2012 – Property tax revenues increased slightly from the prior year. Decrease in interest earnings is due to lower interest rates and lower cash balances related to the self-funding of the District's capital improvement plan which came from the sale of unutilized district property. Increase in operating expenditures was primarily due to an approximately \$650,000 increase in depreciation expense related to the disposal of District's old administration building as part of the final phase of the District's capital improvement plan.

As discussed further below, the SB Valley WCD increased its groundwater assessment in 2011 and 2012, which increased operating revenues.

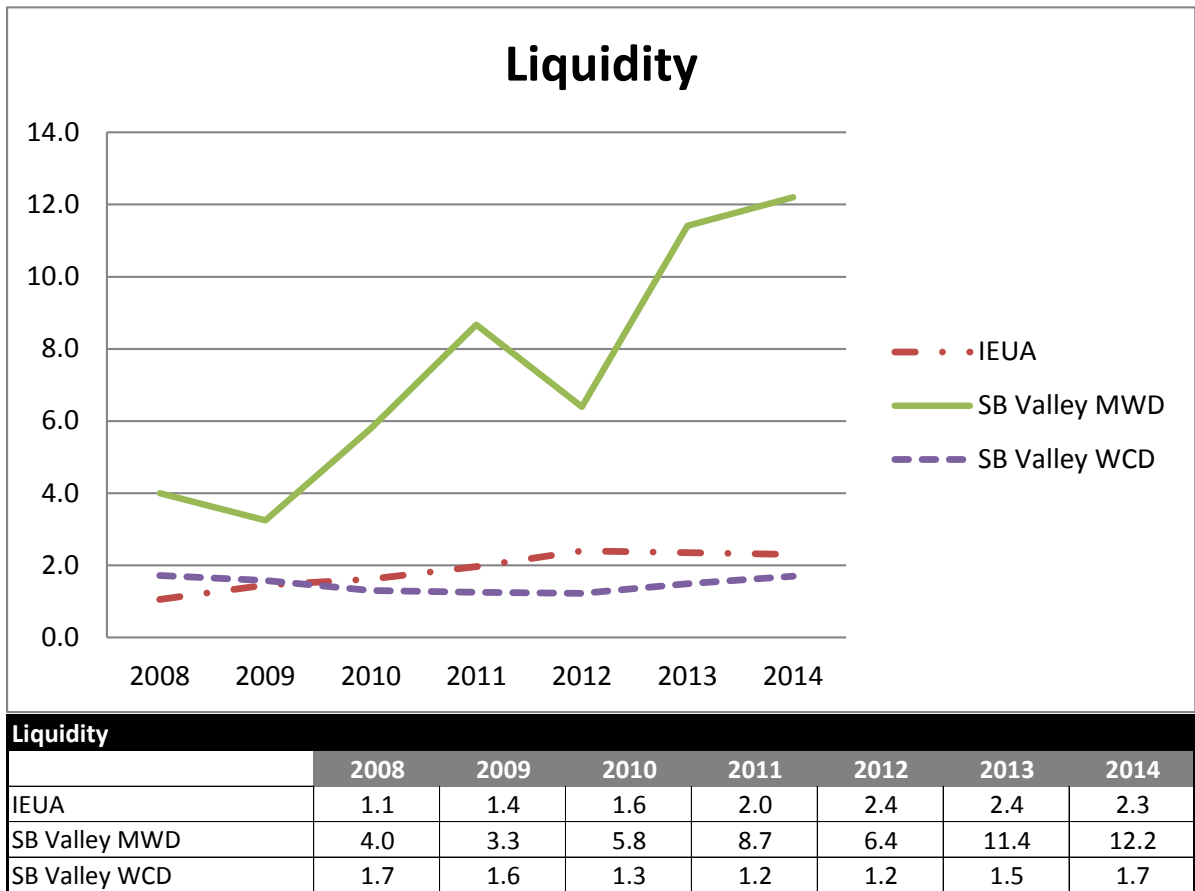
Liquidity

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.



Chino Basin WCD in this indicator displays an outlier in relation to the other agencies. Chino Basin WCD currently maintains a significant cash reserve due to the prior sale of some of the district's land holdings. A significant portion of reserves are designated for on-going programs, and potential acquisition and development of water recharge basins in accordance with the District's Master Plan. The yearly decrease in cash reserves is due to on-going Capital Improvement Projects in accordance with the District's Master Plan. Increase in current liabilities in fiscal year 2012 is related to ongoing capital improvement projects.

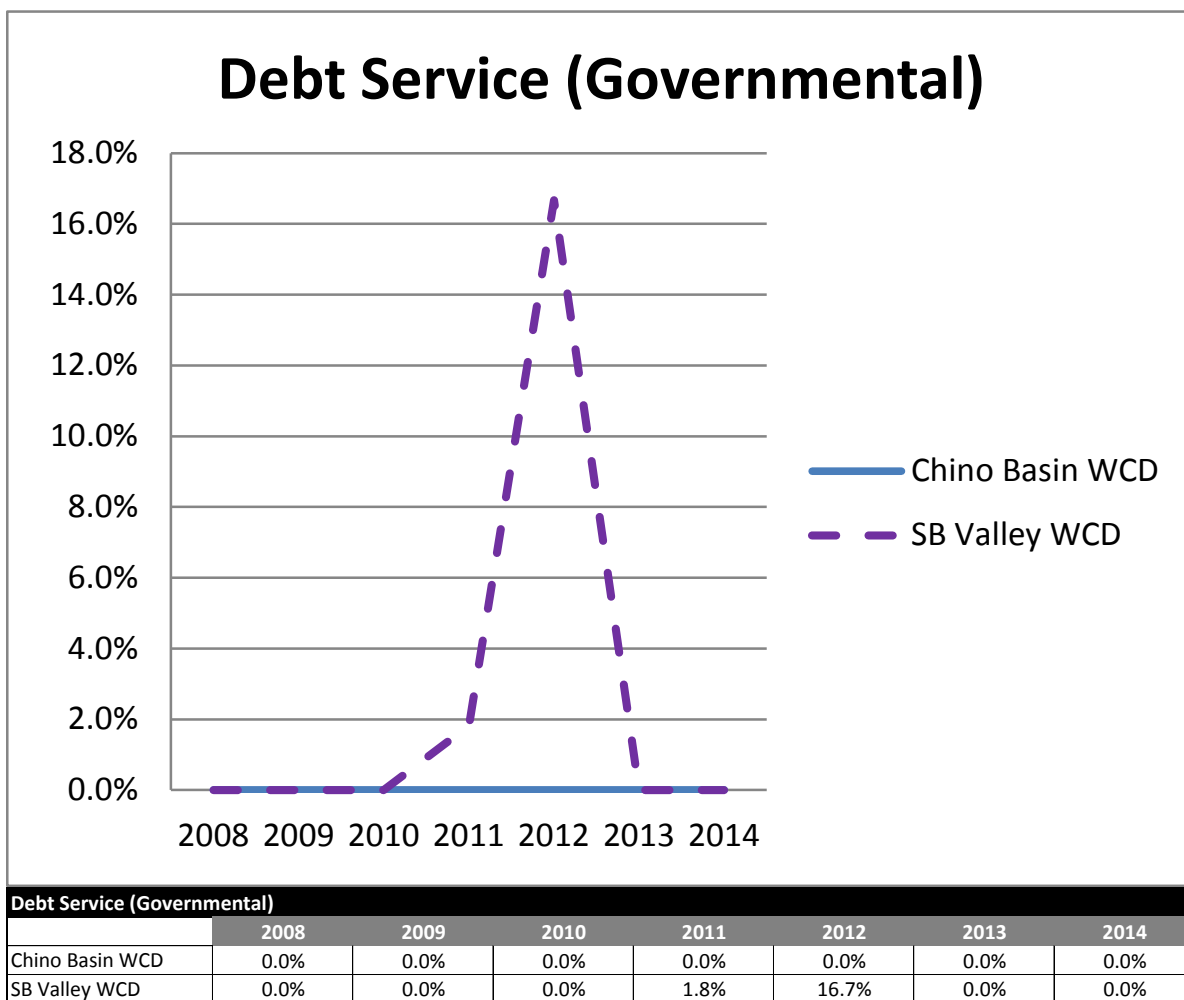
In order to illustrate this indicator for the other agencies, the graphical display below does not include the Chino Basin WCD.



The SB Valley WCD holds a prepaid royalty on aggregate materials under lease which must be repaid if not mined on District lands, this is shown as a current liability whether or not it is displayed that way based on audit standards.

Debt Service

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.



Chino Basin WCD does not have any long-term debt.

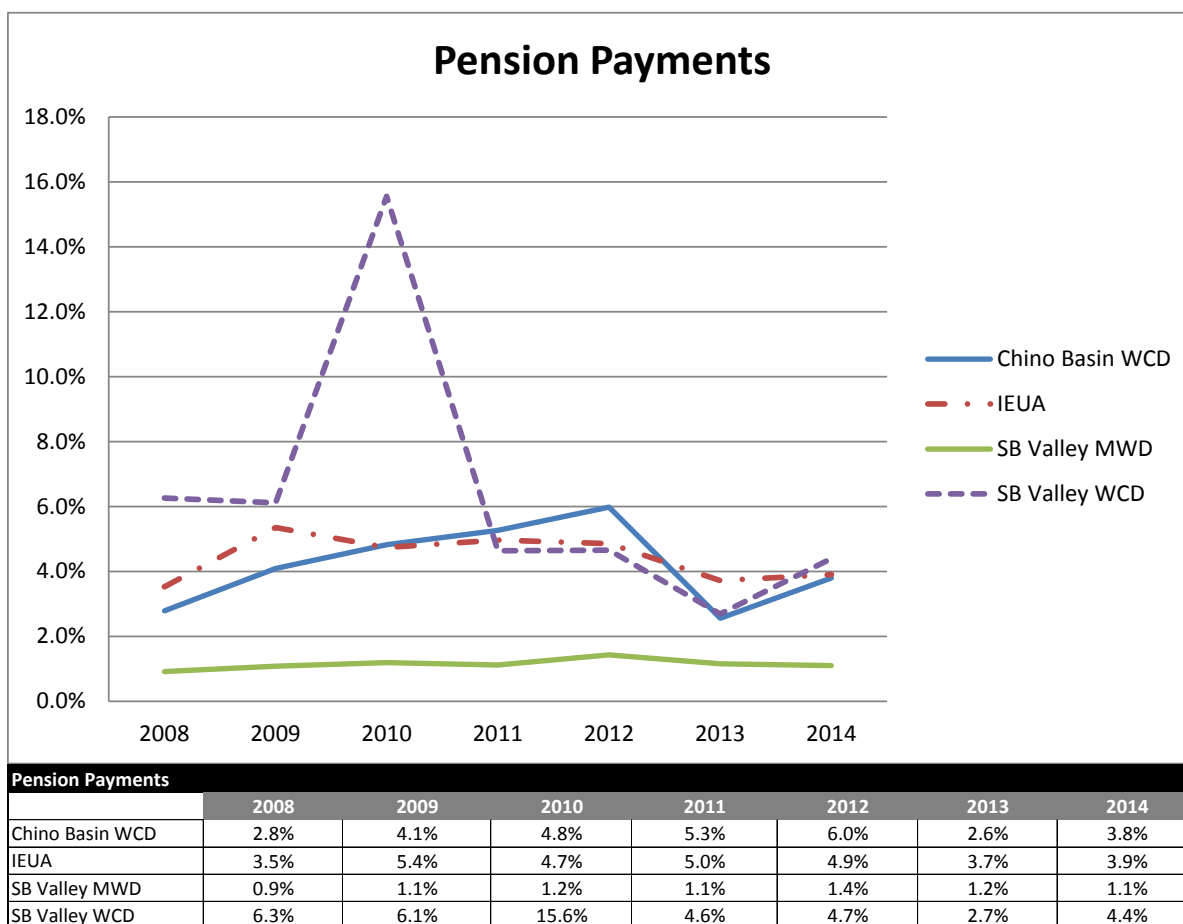
SB Valley WCD has limited debt and does not include debt service in rates. Most capital projects are done in cooperation with partners such as MUNI and Western Municipal Water District. Debt shown is recognized CalPERS debt, the side note was repaid in 2012.

Not shown in the chart above, is IEUA debt for the Ground Water Basin Enhancement Project funded by the 2008B Variable Rate Bonds (refinancing the 2002A Bonds in May 2008). Debt principal and interest payments are equally reimbursed by the Chino Basin Watermaster and the IEUA. IEUA's portion is supported by a fund transfer from the Regional Wastewater Capital Improvement Fund. At June 30, 2014, the 2008B bond had \$45,850,000 in principal outstanding. The bonds mature through 2032 with annual installments ranging from \$1.66 million to \$3.48 million.

Pension Payments

Each agency is a member of the California Public Employees Retirement System (CalPERS).³⁵ CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

The Pension Payments indicator below depicts the relationship between the pension payments as a percentage of an agency's revenues. It is calculated by dividing annual pension cost by total revenue (operating and non-operating revenue). For all the agencies, pension costs as a percentage of total revenues generally increased through 2012 with a decrease in 2013. This decrease was due to the one-time receipt of pass-through property tax revenues.



³⁵ CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

The annual pension cost for these districts is shown in the chart below. In 2010, SB Valley WCD reduced staffing, which in turn reduced its pension costs the following year.

Annual Pension Cost

Agency	2009	2010	2011	2012	2013	2014
Chino Basin WCD	\$ 83,518	\$ 78,382	\$ 82,844	\$ 92,985	\$ 78,305	\$ 82,065
IEUA	5,083,038	4,747,436	4,730,153	4,976,080	4,875,602	4,769,984
MUNI	824,594	804,058	793,239	999,768	973,159	982,982
SB Valley WCD	125,441	149,714	50,376	63,658	67,671	96,258

source: District audits

The employer contribution rate that each agency pays to CalPERS is shown in the chart below. Beginning with FY 2015-16 CalPERS will collect employer contributions toward each agency's unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This will allow for better tracking of the unfunded liability by employers as well as allowing them to pay it down faster if they choose. As for IEUA, the additional contribution payments do not apply to that agency; additional contribution payments only apply to smaller agencies (in terms of employee count) in risk pools. Therefore, additional contribution payments do not apply to IEUA. Rather, the 2016 total employer contribution rate for IEUA includes the employer normal cost (8.269%) and the unfunded rate (9.749%), or 18.018% as shown below.

The high rate for MUNI is a combination of the normal cost to participate in the plan, the side fund to account for adopted benefit amendments, and its share of the plan's unfunded liability.

Employer Contribution Rates and Unfunded Liability Payments

Agency	2011	2012	2013	2014	2015	2016
Chino Basin WCD	7.209%	8.197%	8.311%	8.486%	8.435%	7.163%
IEUA	11.727%	14.753%	15.332%	16.105%	16.641%	18.018%
MUNI	29.145%	31.777%	33.421%	33.029%	34.392%	13.995%
SB Valley WCD	14.126%	16.435%	16.957%	14.660%	15.701%	9.671%

source: CalPERS, October 2014

Looking forward, the chart below identifies the projected employer contribution rates and unfunded liability payments through 2021. As shown, the Normal Cost remains static for Chino Basin WCD, MUNI, and SB Valley WCD with increasing unfunded liability payments for the two water conservation districts. As of now, the CalPERS projections identify a marked decrease for MUNI's unfunded liability payments. IEUA is in its own pool since it is a large employer, and its unfunded liability payment is a component of the overall rate.

Projected Employer Contribution Rates and Unfunded Liability Payments

Agency	2017		2018		2019		2020		2021	
Chino Basin WCD	7.6%	\$11,217	7.6%	\$14,124	7.6%	\$17,194	7.6%	\$20,437	7.6%	\$20,764
IEUA	18.8%	\$ 0	19.2%	\$ 0	19.7%	\$ 0	20.1%	\$ 0	20.1%	\$ 0
MUNI	15.0%	\$647,780	15.0%	\$700,861	15.0%	\$225,178	15.0%	\$380,930	15.0%	\$396,636
SB Valley WCD	10.1%	\$40,192	10.1%	\$46,058	10.1%	\$52,241	10.1%	\$58,751	10.1%	\$60,070

source: CalPERS, October 2014

The information below shows the actuarial accrued liability, market value of assets, unfunded liability, and funded ratios. The funded status is a measure of how well funded a plan or risk pool is with respect to assets vs. accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan.

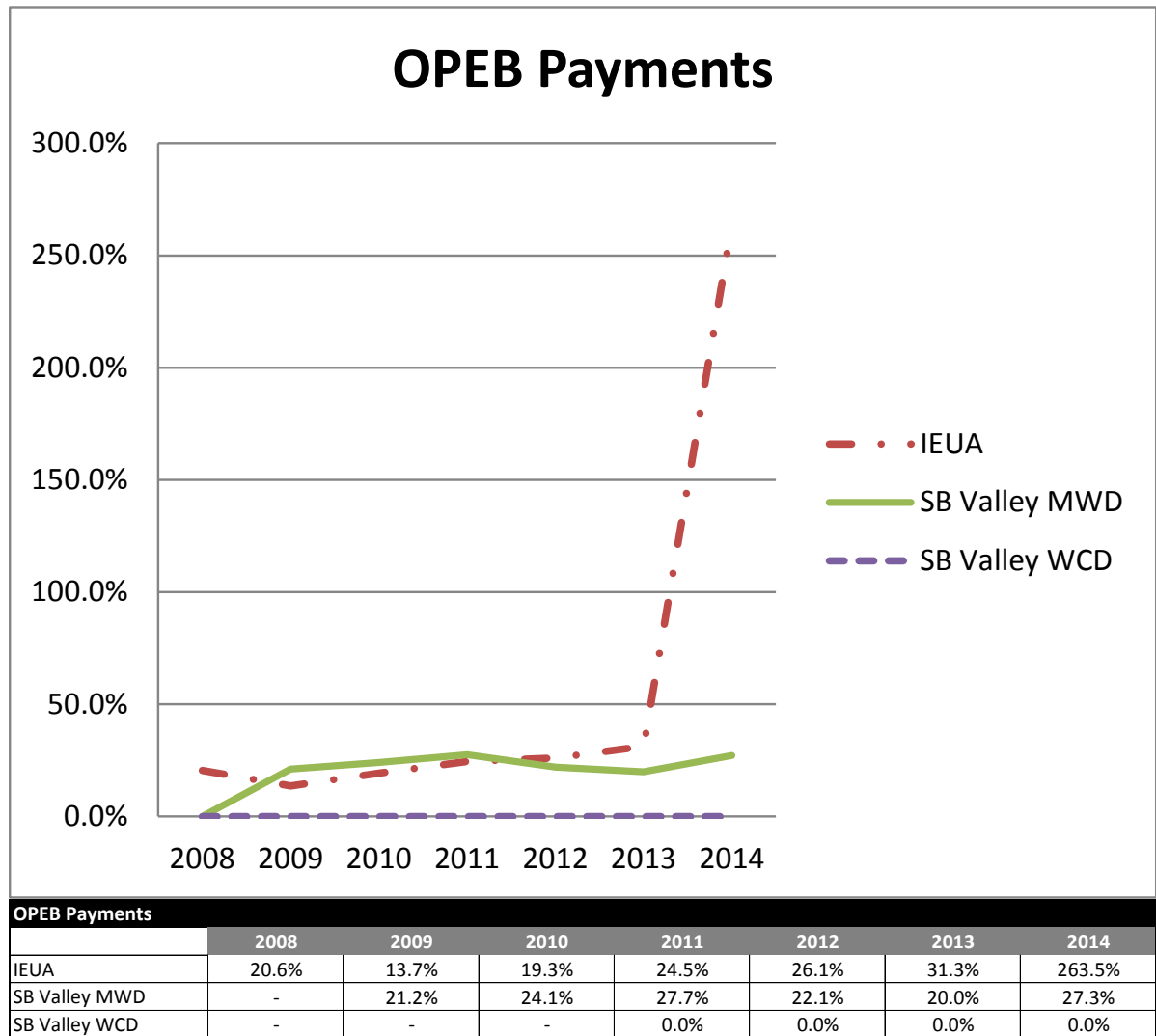
Agency Plans' Funded Status as of June 30, 2013

Agency	Accrued Liability	Plan's Market Value of Assets	Plan's Unfunded Liability	Funded Ratio
Chino Basin WCD	\$1,503,454	\$1,267,647	\$235,807	84.3%
IEUA	138,490,379	99,338,537	39,151,842	71.7%
MUNI	21,556,078	15,820,011	5,736,067	73.4%
SB Valley WCD	2,953,003	2,249,969	703,034	76.2%

source: CalPERS, October 2014

OPEB Payments

The Other-Post Employment Benefits (OPEB) Payments indicator below monitors whether an agency is able to pay or is paying the amount required to fund the OPEB system as determined by its actuary. It is calculated by dividing OPEB payments by OPEB annual cost. IEUA, MUNI, and SB Valley WCD provide OPEB to its retired employees, although at varying benefits and costs. For example, for employees hired before April 19, 2011, MUNI pays the cost of the monthly medical and dental insurance premiums for retired employees and their dependents who have reached at least age 50 with a minimum of 10 years of service. For employees hired after April 19~ 2011 who have reached the age of 60 with a minimum of 15 years of service, MUNI will pay the cost of monthly medical and dental insurance premiums for retired employees and their dependents, until the retired employee reaches the age of Medicare eligibility.



What the agencies do have in common is not contributing the full amount of the annual OPEB cost. For IEUA, as of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$17,476,486 and the actuarial value of assets was nil, resulting in unfunded actuarial accrued liabilities (UAAL) of \$17,476,486. As of June 30, 2013, no decision has been made to fund the actuarially calculated OPEB liability. For the past three years, the percentage of OPEB contributed has been 24%, 26%, and 31%. The IEUA 2014-15 Budget identifies a prefunding payment of \$3.5 million for the IEUA OPEB liability from designated reserves in the Administrative Services fund. On May 21, 2014, the IEUA Board approved the establishment of a trust account with the California Employee Retirement Benefit Trust (CERBT). To date, a total of \$6.8 million has been paid into the trust account which eliminated the accrued liability reported in the Agency's financial report for fiscal year ending 2013-14.

MUNI intends to pre-fund its OPEB with CalPERS through the California Employers' Retiree Benefits Trust (CERBT) Fund. The CERBT is a trust fund that allows public

employers to prefund the future cost of their retiree health insurance benefits and OPEB obligations for their covered employees or retirees. The district has not adopted a funding policy for its OPEB obligation. For the past three years, the percentage of OPEB contributed has been 28%, 22%, and 20%.

SB Valley WCD first completed an OPEB actuarial study in 2011. The study indicated an annual contribution for OPEB at \$962 per year with an accrued liability of \$3,118. The district contributed \$3,118 in 2011 and has contributed at least \$962 per year for the following two years (2012 and 2013). In 2014, the district, as required, updated the actuarial study which concluded that based on experience, the annual OPEB contribution should be \$8,883. The unfunded liability was estimated at \$29,305. Based on Board direction the unfunded liability difference was funded in 2014. The district budgets \$8,883 annually to fund the OPEB Reserve. The district intends to convert the OPEB Reserve to a Trust in the coming fiscal year.

C. Additional Information on Governmental Activities

The information below provides additional information on the financial workings of the agencies reviewed. In depth review focusing on the water conservation activities of the two municipal water districts cannot be extracted from its financial documents and the State Controller Reports for Special Districts. For this report, in depth reviews occur for the water conservation districts. The subsequent service review for wholesale and retail water will include in depth reviews for the municipal water districts.

Chino Basin WCD

Net Position

The accumulation of consistently presented financial information allows a reader to understand an agency's financial position and determine whether there is improvement or deterioration. One such measure of improvement or decline is the change in net position. Net position has increased by 2% since FY 2008-09 as shown on the chart below. During this time Total Assets have increased by 3% and Total Liabilities have increased by 86% (with construction of the district's new headquarters and demonstration garden in 2012-13). From the Net Assets perspective, the financial health of the Governmental Funds overall has increased during the past five years. As of June 30, 2014, the district had \$23.6 million in net assets. Of this amount, most is cash followed by investment in capital assets, net of related debt.

NET POSITION							
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	5-yr Var.
Assets:							
Cash & cash equivalents	19,934,788	19,626,327	17,566,715	16,963,911	13,508,040	13,100,943	-34%
Other	142,340	229,559	261,887	220,858	72,516	80,611	-43%
Capital assets (net)	3,048,296	3,117,994	5,077,611	5,535,259	10,383,193	10,544,644	246%
Total Assets	\$ 23,125,424	\$ 22,973,880	\$ 22,906,213	\$ 22,720,028	\$ 23,963,749	\$ 23,726,198	3%
Liabilities:							
Current liabilities	77,735	59,727	80,351	545,641	366,853	144,455	86%
Long-term liabilities	-	-	-	-	-	-	-
Total Liabilities	\$ 77,735	\$ 59,727	\$ 80,351	\$ 545,641	\$ 366,853	\$ 144,455	86%
Change in Net Position	\$ 95,776	\$ (133,536)	\$ (88,291)	\$ (651,475)	\$ 1,422,509	\$ (15,153)	
Total Net Position	\$ 23,047,689	\$ 22,914,153	\$ 22,825,862	\$ 22,174,387	\$ 23,596,896	\$ 23,581,743	2%
Net Assets:							
Invested in capital assets, net of related debt	3,048,296	3,117,994	5,077,611	5,535,259	10,383,193	10,544,644	246%
Restricted	-	-	-	-	-	-	-
Unrestricted	19,999,393	19,796,159	17,748,251	16,639,128	13,213,703	13,037,099	-35%
Total Net Position	\$ 23,047,689	\$ 22,914,153	\$ 22,825,862	\$ 22,174,387	\$ 23,596,896	\$ 23,581,743	2%
Increase from prior year	1.0%	-0.6%	-0.4%	-2.9%	6.4%	-0.1%	
source: Statement of Net Assets/Position							

Expanding upon the Unrestricted Net Position line item from the figure above, the district has designated or set aside significant amounts cash for the following categories: major structural failures, water conservation projects, recycled water conservation, and operating revenue.

UNRESTRICTED NET POSITION							
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
Non-spendable net assets:	15,480	15,263	66,253	13,066	13,184	31,771	105%
Spendable net assets designated:							
Major structural failures	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	0%
Water conservation projects	11,778,000	11,778,000	9,942,640	10,196,033	6,933,749	6,665,558	-43%
Recycled water conservation	3,993,975	3,993,975	3,869,029	3,830,029	3,666,770	3,739,770	-6%
Operating Reserve	2,711,938	2,508,921	2,370,319	1,100,000	1,100,000	1,100,000	-59%
Total Unrestricted Net Position	\$ 19,999,393	\$ 19,796,159	\$ 17,748,241	\$ 16,639,128	\$ 13,213,703	\$ 13,037,099	-35%
source: Notes to the Basic Financial Statements							

Fund Balance

Considering net position alone does not indicate if an agency has enough fund balance to operate short and long-term operations. Governmental funds focus on the availability of resources on a short-term basis, showing inflows and outflows and resulting in an ending balance of spendable resources. A trend of operating surpluses or deficits is a key indicator of the financial health of an agency. The chart below shows fund balances for the governmental activities for the past five audited years. The fund balance has decreased by 35% since FY 2008-09 (with construction of the district's new

headquarters and demonstration garden in 2012-13) with Total Revenues increasing by 7% (with a one-time receipt of former redevelopment property taxes in 2012-13) and Total Expenditures increasing by 28%.

Unassigned Fund Balance

The 2013-14 audit identifies Total Fund Balance of \$13.1 million, which represents 544% of Total Expenditures as shown in the second figure below. For an agency with no retail service infrastructure such as water lines, the industry guidelines recommend a minimum 10% reserve based on the annual expenditures. This fund balance amount includes the \$1.1 million assigned as a one-year operating reserve and \$6.0 million for “recharge improvements”. The program offers financial assistance to convert publicly owned parks and schools within the District boundaries from using potable (drinking) water to recycled water to irrigate their outdoor landscaping.

It is important to note that a significant portion of district reserves are designated for on-going programs (see Unrestricted Net Assets above), and potential acquisition and development of water recharge basins in accordance with the District’s Master Plan. Nonetheless, the district has high liquidity, no long-term debt, and meets its service obligations (after capital projects).

FUND BALANCE								
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	5-yr Var.
Non-spendable:		\$ 15,480	\$ 15,263	\$ 66,253	\$ 13,066	\$ 13,184	\$ 31,771	
Committed:								
	Recycled water programs				146,259	73,000	3,739,770	
	Capital Projects			200,531	5,309,968	722,938		
Assigned:								
	Compensated absences		24,998	29,280	29,883	-	37,557	
	Recycled water programs				3,683,770	3,666,770	-	
	Operating reserve - 1 year				1,100,000	1,100,000	1,100,000	
	LEAP - 2 year reserve				268,954	300,000	300,000	
	Structural failures				1,500,000	1,500,000	1,500,000	
	Carry forward						126,358	
	Capital Projects			12,638,220	4,497,393	2,591,858	6,000,000	
Unassigned:		20,011,501	19,672,747	4,732,124	6,432	3,276,043	239,200	
Total Fund Balances		\$ 20,026,981	\$ 19,713,008	\$ 17,666,408	\$ 16,555,725	\$ 13,243,793	\$ 13,074,656	-35%
Revenues:								
	Charges: landscape audits	-	7,200	18,750	18,950	20,888	27,728	
	Charges: edu. workshops		-	-	11,600	8,340	1,000	
	Charges: rent of basin space	5,607	3,692	-	-	-	-	
	Grants & contributions	41,729	63,349	75,878	5,933	16,042	19,188	-54%
	Property taxes	1,549,465	1,353,785	1,455,474	1,481,375	3,131,280	2,112,709	36%
	Investment earnings	486,553	160,178	107,067	61,636	33,011	56,330	-88%
	Other		783	7,157	10,387	11,399	15,340	
	Total Revenues	\$ 2,083,354	\$ 1,588,987	\$ 1,664,326	\$ 1,589,881	\$ 3,220,960	\$ 2,232,295	7%
Expenditures:								
	Salaries & benefits	860,645	805,103	897,080	919,379	882,098	933,684	8%
	Basin & garden maint.	260,807	88,912	264,350	79,908	112,070	604,513	132%
	Public education	114,773	300,800	152,646	109,023	153,963	89,019	-22%
	Materials & services	521,106	560,179	352,274	400,505	452,159	357,725	-31%
	Total Exp. (no cap. outlay)	1,757,331	1,754,994	1,666,350	1,508,815	1,600,290	1,984,941	13%
Capital outlay		120,150	147,966	2,044,577	1,191,749	4,932,602	416,491	247%
	Total Expenditures	\$ 1,877,481	\$ 1,902,960	\$ 3,710,927	\$ 2,700,564	\$ 6,532,892	\$ 2,401,432	28%
Revenues less Expenditures:		\$ 205,873	\$ (313,973)	\$ (2,046,601)	\$ (1,110,683)	\$ (3,311,932)	\$ (169,137)	
Fund Balances, Ending		\$ 20,026,981	\$ 19,713,008	\$ 17,666,407	\$ 16,555,725	\$ 13,243,793	\$ 13,074,656	-35%
Increase from prior year		1.0%	-1.6%	-10.4%	-6.3%	-20.0%	-1.3%	
sources: Statement of Revenues, Expenditures, and Changes in Fund Balance; Notes								

As shown in the chart above, there are no assigned funds for Compensated Absences in FY 2012-13. According to the district, the compensated absences liability remains and the assigned funds to cover the liability was unintentionally misclassified as unassigned. The district notified its auditor of the erroneous error, which was corrected for the 2013-14 audit to show a balance of \$35,557 as of June 30, 2014.

Expanding upon the Fund Balance discussion from above, as a measure of a district's general fund liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. At the end of FY 2013-14, unassigned fund balance of the general fund was \$239,200 while total fund balance reached \$13,074,656. Unassigned fund balance represents 10 percent of total general fund expenditures (previous year 50%), while total fund balance represents 544 percent of

that same amount (previous year 203%). Therefore, a total fund balance of this magnitude seems disproportionate to the services the district provides.

GENERAL FUND LIQUIDITY	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total GF expenditures	\$ 1,877,481	\$ 1,902,960	\$ 3,710,927	\$ 2,700,564	\$ 6,532,892	\$ 2,401,432
Unassigned GF fund balance	20,011,501	19,672,747	4,732,124	6,432	3,276,043	239,200
(as a % of total expenditures)	1066%	1034%	128%	0%	50%	10%
Total fund GF balance	20,026,981	19,713,008	17,666,407	16,555,725	13,243,793	13,074,656
(as a % of total expenditures)	1067%	1036%	476%	613%	203%	544%
sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance						

Director Expenses

The figure below identifies Director Expenses as provided by the district. A review of the district's agendas identifies that the district board met 14 times in calendar year 2014 with an additional combined 53 director meetings/events at a per diem rate of \$150 per meeting. Additionally, board members receive medical insurance totaling \$16,135 in FY 13-14.

Chino Basin WCD - Seven Board of Directors Expenses and Reimburesements					
Fiscal Year	Per Diem Compensation	Mileage Reimbursement	Parking Fees, Tolls	Medical Insurance	TOTAL
2010-11	\$ 19,050	\$ 1,115	\$ 8	\$ 12,203	\$ 32,376
2011-12	22,950	2,029	63	16,805	41,847
2012-13	17,400	966	12	17,631	36,009
2013-14	22,650	1,150	65	16,135	40,000

SB Valley WCD

The financial operations of the SB Valley WCD are unique and complex and require the following discussion. The most recent audit for SB Valley WCD is for FY 2013-14.

Net Position

The accumulation of consistently presented financial information allows a reader to understand an agency's financial position and determine whether there is improvement or deterioration. One such measure of improvement or decline is the change in net position. Net position has increased by 11% since FY 2008-09 as shown on the chart below, with most gains realized during the past two audit years. During this time Total Assets have increased by 4% and Total Liabilities have decreased by 2%. From the Net Assets perspective, the financial health of the district overall has increased during the past five years. As of June 30, 2014, the district's net position was \$5.0 million. Of this amount, most is unrestricted. In response to the draft staff report, the district states that

while the district's assets are mostly unrestricted from an accounting perspective they are subject to the District's Reserve Policy.

NET POSITION							
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	5-yr Var.
Assets:							
Cash & investments	8,091,273	6,613,884	6,360,057	6,194,467	7,511,352	8,392,451	4%
Other	285,707	250,297	377,261	493,664	631,679	502,139	76%
Capital assets (net)	1,396,720	1,481,052	1,460,704	1,373,408	1,283,635	1,278,721	-8%
Total Assets	\$ 9,773,700	\$ 8,345,233	\$ 8,198,022	\$ 8,061,539	\$ 9,426,666	\$ 10,173,311	4%
Liabilities:							
Current liabilities	154,886	75,361	112,620	51,840	52,289	85,995	-44%
Long-term liabilities	5,078,072	5,061,495	5,202,772	5,050,810	5,062,433	5,043,583	
Total Liabilities	\$ 5,232,958	\$ 5,136,856	\$ 5,315,392	\$ 5,102,650	\$ 5,114,722	\$ 5,129,578	-2%
Change in Net Position	\$ (832,656)	\$ (1,332,365)	\$ (325,747)	\$ 76,259	\$ 1,353,055	\$ 731,789	
Total Net Position	\$ 4,540,742	\$ 3,208,377	\$ 2,882,630	\$ 2,958,889	\$ 4,311,944	\$ 5,043,733	11%
Net Position:							
Invested in capital assets, net of related debt	1,396,720	1,481,052	1,460,704	1,373,408	1,283,635	1,278,721	-8%
Restricted:	-	-	-	-	-	-	
Unrestricted	3,144,022	1,727,325	1,421,926	1,585,481	3,028,309	3,765,012	20%
Total Net Position	\$ 4,540,742	\$ 3,208,377	\$ 2,882,630	\$ 2,958,889	\$ 4,311,944	\$ 5,043,733	11%
Increase from prior year	-15.5%	-29.3%	-10.2%	2.6%	45.7%	17.0%	
source: Statement of Net Assets/Position							

Revenue Sources

SB Valley WCD's General Fund revenues include receipt of the one percent general levy property tax, mining lease revenues/royalties, groundwater assessments, and interest income. Mining royalties fluctuate based on several variables, including the market demand for aggregate, the economic health of the mining entities, and the terms and conditions of the leases. The district reserves are adequate to ensure future operations and the variability of its revenue sources. The investments include significant funding provided as a prepayment of mining royalties. Investment of these cash reserves provides a small but sustainable amount of revenue to the district.

NET INCOME								
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	5-yr Var.
Operating revenues:								
	Groundwater assessments	532,378	434,397	601,466	671,192	896,150	919,338	73%
	Water spreading ops				157,298	653,388	354,550	
	Services for other agencies	24,486	28,956	30,000	30,000	30,000	30,000	23%
	Total Oper. Revenue	\$ 556,864	\$ 463,353	\$ 631,466	\$ 858,490	\$ 1,579,538	\$ 1,303,888	134%
Operating expenses:								
	Water spreading ops							
	Prof. Services	1,314,616	630,938	281,386	167,750	139,159		-100%
	Salaries & Benefits	873,062	954,158	538,793	580,931	564,807		-100%
	Other			80,811	141,140	69,597	1,312,446	
	Other	381,821	359,454	2,194	1,028	6,750		-100%
	Depreciation	63,892	71,559	99,224	105,948	101,985	94,204	47%
	General & admin							
	Director's fee/expense	152,303	195,094	92,231	123,721	95,319		-100%
	Other	99,252	83,545	75,676	69,990	56,084		-100%
	Total Oper. Expenses	\$ 2,884,946	\$ 2,294,748	\$ 1,170,315	\$ 1,190,508	\$ 1,033,701	\$ 1,406,650	-51%
Non-operating rev. (expense):								
	Property taxes	\$ 83,042	\$ 76,916	\$ 79,880	\$ 76,976	\$ 129,852	\$ 108,138	30%
	Royalty income	\$ 1,196,989	\$ 205,315	\$ 47,106	\$ 201,064	\$ 264,912	\$ 416,294	-65%
	Rental income, net			\$ 120,966	\$ 77,867	\$ 75,098	\$ 77,817	
	Other	\$ 215,395	\$ 216,799	\$ 145,238	\$ 39,884	\$ 337,356	\$ 232,302	8%
	Total non-operating	\$ 1,495,426	\$ 499,030	\$ 393,190	\$ 395,791	\$ 807,218	\$ 834,551	-44%
Net income (loss)		\$ (832,656)	\$ (1,332,365)	\$ (145,659)	\$ 63,773	\$ 1,353,055	\$ 731,789	
* The categories for Operating Expenses in 2013-14 changed to District Operations (\$1,026,077), Regional Programs (\$99,171), and Gen & Admin (\$187,198) .								
sources: Statement of Activities (2009-2010); Statement of Revenues, Expenditures, and Changes in Net Position (2011-2014)								

Emergence from Financial Difficulty

The district has recently come out of a difficult financial time which began in 2006, accelerated in 2008, and continued through 2011. This situation mirrored the overall economic slow-down; however, the effect on the district was more severe because all sources of the revenues were impacted at the same time. Since this time the district has revised its financial structure, reduced costs and implemented various policies that will reduce the likelihood and severity of these occurrences in the future. The district implemented cost reductions documented in the annual budgets including the reduction from seven to five divisions for the board of directors as allowed by special legislation.

In 2011 the district established a Land Management Enterprise to better clarify the roles of the district and to provide better accountability of the sources and use of funding provided in the various areas of the district's efforts. In 2011 and 2012 the Groundwater Charge was increased by 25% and 15% respectively to allow the groundwater enterprise to raise adequate revenue to operate the Water Enterprise facilities within its financial ability without subsidy from the district reserves or other enterprises. The Land Management Enterprise holds the district's land holdings not directly related to current water recharge activities. Revenue related to this enterprise includes mining royalties, land leases, commercial property leases and easement payments for encroachments and encumbrances.

The district's operating revenues increased in 2012 by 36% or \$227,024 primarily due to a \$69,726 increase in groundwater assessments and a \$157,298 increase in water spreading revenues (mainly due to reimbursement from a spreading agreement with MUNI. In 2013, operating revenues increased 84% or \$721,048 primarily due to a \$224,958 increase in groundwater assessments and a one-time receipt of \$496,090 related to water spreading activities (which includes a one-time payment of \$303,251 for the East Branch Extension II Easement Condemnation). For 2014, operating revenues were marginally above operating expenses.

In 2012, non-operating revenues increased by 12% or \$54,720 due primarily to a \$153,958 increase in royalty revenues and a \$38,858 increase in rental income that was offset by a \$160,343 decrease in other non-operating revenues. Non-operating revenues increased by 83% or \$422,788 in 2013 due primarily to a \$52,876 increase in property tax revenues, a \$63,848 increase in royalty revenues, and a \$311,818 increase in other non-operating revenues related to a one-time receipt from the Department of Water Resources for the East Branch Extension II Easement Condemnation.

Reserves

Also, in 2012 and 2013, district policies were updated to revisit reserve levels and provide for implementation when revenue was available. The table below shows designated cash and cash equivalent balances after full implementation of these policies. The Land Resources Reserve and Groundwater Recharge Enterprise Reserve contain deferred capital projects anticipated for completion in 2015 and 2016.

Fund	2013 Balance	2014 Balance
Groundwater Recharge Enterprise	\$1,229,001	\$1,524,057
Groundwater ER Maintenance	50,000	100,000
Land Resource Reserve ³⁶	679,206	927,180
Post-employment/CalPERS Trust	3,118	32,423
Self-Insurance Reserve	10,000	15,000
General Operating Reserves	510,027	640,324
Groundwater Assessment Rate Stabilization	-	38,340
Redlands Plaza Reserve	-	55,127
Habitat Management Trust	-	-
Capital Improvement/Equip Reserve	-	60,000
TOTAL	\$2,511,352	\$3,392,451
Prepaid Aggregate Royalty/Liability (1 yr callable)		\$5,000,000
source: SB Valley WCD June 30, 2013 & 2014 audits		

³⁶ The Land Management Enterprise holds the District's land holdings not directly related to current water recharge activities. Revenue related to this enterprise includes mining royalties, land leases, commercial property leases and easement payments for encroachments and encumbrances. These revenues enhance the District's financial position through one time and recurring revenue opportunities which can support the District's core functions and augment reserves to stabilize rates and allow funding of improvements.

General Fund Reserve

According to SB Valley WCD, reserves are funded in all critical areas of risk. The General Fund Reserve may contain up to two years of the General Fund costs of the district, which currently contains \$540,273 which is about one year of General Fund operations. The district's other reserves are allocated by policy. The Groundwater Reserves are funded at about \$1.6 million, about 90% of the maximum by policy, however a significant portion of that will likely be needed in Capital Improvements for Mill Creek Diversion Rehabilitation. The land resources reserve is currently over funded at \$968,387; however this reserve is used to make safety repairs and improvements planning for the next two fiscal years. The district has a Capital Improvement/Equipment reserve currently funded at about \$400,000, which provides capacity for pay-go project and equipment replacement.

Similar to Chino Basin WCD, the district has high liquidity, no long-term debt, and meets its service obligations (after capital projects). Therefore, an unassigned fund balance of this magnitude seems disproportionate to the services the district provides.

In response to the draft staff report, the District states that

“...it currently has a counter-cyclic revenue and expense cycle. In drought, pumping from the groundwater basin increases and costs for maintenance moderate, while operations are somewhat reduced. During wet periods, the cost of vegetation removal operations and the cleanup of silt and sediment can be extensive, to prepare for the next season. Without accumulating this reserve for the Groundwater Enterprise, rates would be highly variable based on annual cost. During rate hearings the District had repeatedly heard that fluctuations in rates paid by cities and districts were difficult as they set rates for 3-5 years in advance. Additionally, the District is presently designing capital improvements which will use much of the reserve attributable to Groundwater. Future land management costs will utilize land management funds.”

Groundwater Assessments

Lastly, in April 2014 the district again increased its groundwater assessment rates from \$3.14 to \$3.23 for agriculture and from \$11.28 to \$11.62 per acre foot for non-agricultural uses. The FY 2014-15 budget identifies revenue increases of \$947 for agricultural uses and \$36,737 for non-agricultural uses.

Director Expenses

The figure below identifies Director Expenses as outlined in its budgets. The board of director per-diem of \$197 per meeting up to a maximum of 10 meetings per month and expenses for District and other meetings is set by Ordinance No. 2014-1 and Resolutions No. 509A & 509B. A review of the district's minutes identifies that the district board meets roughly 13 times a year with quarterly meetings of the finance committee, operations committee, and outreach committee. Therefore, a fair estimate for stipends and travel expenses for district board and committee meetings would be \$18,000. Board members do not receive health, life insurance, or retirement benefits. This leaves over \$64,000 annually (from 2010-11 through 2013-14) for what is believed to be fees for partner agency attending association meetings, seminars, and

conferences. To illustrate the point, dividing the 2013-14 Directors Fees (\$68,000) by the per diem (\$197) and five board members equates to 69 meetings a year per director. This additional amount related to Directors Fees appears to be high for any district, more so given the limited nature of the district.

Activity	2010-11	2011-12	2012-13	2013-14
Director Fees	\$64,155	\$66,487	\$69,541	\$68,000
Mileage	879	2,145	2,850	3,000
Air Fare	1,201	2,822	5,100	4,750
Other Travel	165	192	350	500
Meals	1,021	1,333	2,930	2,930
Lodging	6,414	3,029	3,758	3,500
Conference/Seminar	11,627	5,000	4,500	4,590
Total	\$85,462	\$81,008	\$88,029	\$87,270
No. of Directors	7	7	5	5

Habitat Management Reserve/Trust (future)

According to the FY 2014-15 budget, the Habitat Management Reserve/Trust is to provide multi-year funding to support future habitat projects in support of the Wash Plan related project requiring restricted reserve funds for payment of future costs. These funds may be contributed to a trust for safekeeping if required. The district does not currently have any habitat management requirements budgeted for reserve but will when the Wash Plan is implemented. The level for this reserve will be determined when a plan is approved by the board.

However, SB Valley WCD is not authorized by LAFCO or State Law the function or service of habitat management or similar activity. Further, Water Conservation District Law does not allow for a water conservation district to provide habitat management services. Since March 2006, SB Valley WCD is authorized by LAFCO to provide "water conservation" and "surveys of water supply and resources" pursuant to the *Rules and Regulations of the Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts*. Should the district desire to actively provide habitat management and enhancement, it would need to receive special legislation to expand the scope of its authorized activities as well as submit an application to LAFCO requesting authorization to provide said service.

As an alternative to SB Valley WCD providing habitat management and enhancement, the Inland Empire Resource Conservation District could perform this service as its parent act and LAFCO authorize it to do so.

IEUA and MUNI

Information on the governmental activities of the two municipal water districts are briefly discussed below. A full review of these districts' financial activities will take place in the service review for wholesale, retail, and recycled water.

IEUA

Recharge Water Fund

IEUA's Recharge Water Fund records the activities related to the operation and maintenance of the nineteen groundwater recharge basins and pertinent facilities. Through the joint efforts of the Watermaster, the Chino Basin WCD, and Flood Control District, IEUA performs all of the operation and financial functions related to its recharge activities. Costs include general basin maintenance and restoration, groundwater administration, compliance reporting, environmental documentation and contracted services that are fully funded by the Watermaster, with IEUA funding its pro-rata share of costs based on recharged deliveries of recycled water. The operations and maintenance budget is partially funded by the Watermaster and IEUA. Revenues include reimbursements from the Watermaster, inter-fund transfers from IEUA's Regional Wastewater Capital and Recycled Water funds, grant proceeds and interesting earnings on the programs reserve balance.

The Recharge Water Fund's total operating expenses recorded in FY 2013-14 were \$2,362,352 compared to \$2,339,554 in FY 2012-13, resulting in an increase of \$22,798. The increase was due to: 1) operation expenses related to repairs; and 2) higher depreciation expenses resulting from the completion and capitalization of various capital projects. At June 30, 2014, total net position was \$33,201,574, a decrease of \$66,951 over the prior fiscal year.

Water Resources Fund

The Water Resources Fund records the fiscal activities associated with providing water resources and water use efficiency programs within the agency's service area. These programs include management and distribution of imported water supplies, development and implementation of regional water use efficiency initiatives, water resource planning and support for regional water supply programs including recycled water, groundwater recharge, and storm water management. The Water Resources Fund's major revenue source can be attributed to the surcharge for imported water sold within the service area and a monthly meter service charge per meter. The regional water conservation programs receive dedicated funding, including a portion of the imported water acre foot surcharge and water meter service charge, and program grants and reimbursements from various sources including state, federal, and local agencies.

As for the IEUA in general, the increase in Net Position for 2012-13 included an operating loss of \$41.9 million. This is due in part to the agency being required by the California State Controller's office to report property taxes as non-operating revenue. However, the majority of the property tax revenues are used for State Water Project expenditures which are included in operating expenses from which it will draw upon the funds. As of June 30, 2014, the Water Resources Fund has total assets of \$12.3 million and liabilities of \$9.2 million, resulting in a total net position of \$3.1 million.

MUNI

MUNI had unrestricted Net Position of \$108.0 million at June 30, 2013, a substantially high figure. The Board of Directors has designated \$18 million of this reserve to be retained for the purpose of self-insuring the district against any claims made against the district. MUNI has an extensive future capital improvement plan which consists of many projects including: Enhanced Santa Ana River Spreading, Central Feeder Phase 2, Santa Ana River Tributary / Storm Water Capture and Recycled Water System.

D. Appropriations Limit

Article XIII B of the State Constitution (the Gann Spending Limitation Initiative)³⁷, mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9(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, the FY 1977-78 tax rate for the districts was as follows:

1977-78 Tax Rates per \$100 of Assessed Value

District	Chino Basin WCD	IEUA	MUNI	SB Valley WCD
Tax Rate	.2145	.3300	.9500	.0300
Subject to Limit	Yes	Yes	Yes	No

As identified above, Chino Basin WCD, IEUA, and MUNI are subject to the limit. IEUA and MUNI annually adopt the limit as part of its budget process. For FY 2014-15, the IEUA limit is \$150,204,136 and the MUNI limit is \$24,215,427. Further, Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. A review of the audits for IEUA and MUNI does not identify the annual calculation of the limit. LAFCO staff recommends that IEUA and MUNI include this requirement in future audits.

For this service review, in September 2014 LAFCO provided Chino Basin WCD 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. On January 12, 2015 the district established its appropriations limit by resolution. The appropriations amount subject to the Gann Limit for FY 2014-15 is \$6,359,773.

³⁷ 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).

F. Posting of Annual Compensation

Starting January 1, 2015 local public agencies are required to post information on the annual compensation of their elected officials, officers and employees. Under existing law, cities and special districts are required to file an annual report with the State Controller's Office identifying the annual compensation of their officers and employees. AB 2040³⁸ extends the law so that public agencies are required to also post the same information on their own websites. Public agencies can comply with this law in two ways: directly include the salary information on the agency's website or provide a link on the website to the State Controller's "Government Compensation in California" site. As of the date of this report, Chino Basin WCD, MUNI, and SB Valley WCD do not comply with this requirement.

F. Conclusion for Determination IV.

The Chino Basin WCD has a high unassigned fund balance that seems disproportionate to the services the district provides. MUNI had an unrestricted Net Position of \$108 million at June 30, 2013, a substantially high figure. The Board of Directors has designated \$18 million of this reserve to be retained for the purpose of self-insuring the district against any claims made against it.

SB Valley WCD has recently come out of a difficult financial time which began in 2008 and continued through 2011. This situation mirrored the overall economic slow-down; however, the effect on the district was more severe because all sources of its revenues were impacted at the same time. Since this time the district has revised its financial structure, reduced costs and implemented various policies that will reduce the likelihood and severity of these occurrences in the future. The district implemented cost reductions documented in the annual budgets including the reduction from seven to five divisions for the board of directors as allowed by special legislation (SB-235). In 2011 and 2012 the Groundwater Charge was increased by 25% and 15% respectively to allow the fund to raise adequate revenue to operate the facilities within its financial ability without subsidy from the district reserves or other enterprises. The district has high liquidity, no long-term debt, and meets its service obligations (after capital projects). Therefore, a high unassigned fund balance seems disproportionate to the services the district provides. In response to the draft staff report, SB Valley WCD states that it has a counter-cyclic revenue and expense cycle and that without accumulating this reserve rates would be highly variable and is presently designing capital improvements which will use much of the reserve attributed to groundwater. Should the district desire to actively provide habitat management and enhancement (related to the Wash Plan), it would need to receive special legislation to expand the scope of its authorized activities as well as submit an application to LAFCO to request authorization to provide said service.

Chino Basin WCD, IEUA, and MUNI are subject to an appropriations limit as outlined in the State Constitution. San Bernardino Valley WCD is not subject to the appropriations

³⁸ An act to amend Sections 12463 and 53892 of, and to add Article 10.5 (commencing with Section 53908) to Chapter 4 of Part 1 of Division 2 of Title 5 of, the Government Code, relating to local government.

limit as it was determined to be exempt due to its limited tax rate in 1977-78. IEUA and MUNI annually adopt the limit as part of its budget process. A review of the audits for IEUA and MUNI does not identify a review of the annual calculation of the limit as required by the Constitution. LAFCO staff recommends that IEUA and MUNI include this requirement in future audits. Chino Basin WCD established its appropriations limit on January 12, 2015 and has indicated it will be reviewed in future audits.

Determination V.

Status of, and opportunities for, shared facilities

A. Status of shared facilities

Throughout the Valley Region there are numerous partnerships between the Flood Control District, municipal water districts, and water conservation districts for stormwater capture. Interestingly, this symbiotic relationship produces both economies of scale and duplication of service. The relationships produce economies of scale in that Flood Control District and the municipal water districts can utilize the already existing basins of the conservation districts. These relationships are memorialized in written agreements, detailed in Determination III and on file at the LAFCO office.

West Valley

One such relationship in the West Valley is the Groundwater Recharge Master Plan which identifies opportunities to use these supplies during wet years when surplus water is available.³⁹ The Agreement for Operation and Maintenance of Facilities to Implement the Groundwater Recharge Master Plan is commonly referred to as the Four Party Agreement, and was entered into by the Flood Control District, IEUA, Chino Basin WCD, and IEUA to cooperate in a program to implement certain portions of the Recharge Master Plan for the purpose of assuring that the Chino Basin has adequate recharge capabilities to meet its future needs. The effective date of the agreement was January 23, 2003 and continues through December 31, 2032.

To provide a comprehensive program to increase the recharge of storm-water, recycled water, and imported water into the Chino Basin groundwater aquifer, the Groundwater Recharge Master Plan was developed in 2001 (and updated in 2010) as part of the Watermaster OBMP. A 2013 Recharge Master Plan Update to the 2010 Recharge Master Plan was recently completed. The update evaluated 27 yield enhancing capital projects for the Chino Basin and recommends implementation of 11 projects over the next six years. IEUA has agreed to finance three of the projects (RP 3 basin improvements, Victoria Basin, and Lower Day). The remaining projects require additional investigation to evaluate the feasibility and cost-effectiveness of incorporating the basins into the recharge program.

The same member agencies of the Groundwater Recharge Master Plan (Four Party Agreement) are on the Groundwater Recharge Coordinating Committee ("GRCC"). The purpose of the GRCC is to coordinate and manage the use of the recharge basins for all recharge purposes contemplated under the Groundwater Recharge Master Plan. Each of the Parties is entitled to appoint one member and one alternate member to the GRCC. The GRCC meets quarterly or as often as necessary to facilitate full coordination of groundwater recharge operations.

³⁹ 2011 Urban Water Management Plan

Another example is Chino Basin WCD ownership of stormwater capture basins with IEUA contributing an operating and accounting role, as shown in the figure below.

Drainage System, Basin	IEUA Role	CBWCD Role	Storage Capacity (AFY)	Water Recharge Source	Notes
San Antonio Channel Drainage System					
College Heights East	A,B,D,F,H,I,J,L,N	G,M	145	Storm, State Project	No need for E, no infrastructure for C
College Heights West	A,B,D,F,H,I,J,M,N	G,L	126	Storm, State Project	No need for E, no infrastructure for C
Montclair 1	A,B,D,F,H,I,K,M,N	E,G,J,L	134	Runoff, storm, State Project	No infrastructure for C
Montclair 2	A,B,D,F,H,I,K,M,N	E,G,J,L	243	Runoff, storm, State Project	No infrastructure for C
Montclair 3	A,B,D,F,H,I,K,M,N	E,G,J,L	49	Runoff, storm, State Project	No infrastructure for C
Montclair 4	A,B,D,F,H,I,K,M,N	E,G,J,L	97	Runoff, storm, State Project	No infrastructure for C
Brooks	A,B,C,D,F,H,I,K,M,N	E,G,J,L	503	Runoff, storm, recycled, State Project	
West Cucamonga Channel Drainage System					
Ely 3 *	A,B,C,D,F,H,I,J,M,N	E,G,L,K	136	Runoff, storm, recycled	
<p>* Ely #1 and #2 are owned by San Bernardino County Flood Control District.</p> <p>A) Stormwater Passive Capture and Volume Accounting B) Stormwater Active Diversion and Volume Accounting C) Recycled Water Delivery and Volume Accounting D) Imported Water Delivery and Volume Accounting E) Vector Control Coordination F) Weeding Monthly in Areas of Impact G) Landscape and Property Maintenance H) Operate and Maintain GWR Communication Infrastructure I) Operate and Maintain Diversion Infrastructure J) Infiltration Restoration Lead Agency K) Infiltration Restoration - support agency L) Basin grading maintenance - lead agency M) Basin grading maintenance - support agency N) Biologic Surveys and Biological Permitting</p> <p>sources: Chino Basin WCD and IEUA</p>					

East Valley

In the East Valley, since 1972 Flood Control District has allowed MUNI to utilize Flood Control detention/debris basins for groundwater recharge when they are not needed for flood control. The legal agreement that defines this relationship is in the process of

being updated. In the meantime, Flood Control District continues to allow MUNI to utilize Flood Control detention/debris basins for groundwater recharge per the terms of the original agreement. Nearly all of the MUNI's facilities have been constructed through participation with other agencies. Projects that involve multiple agencies reduce costs by eliminating parallel facilities. Below is a list of past and current MUNI projects that involve other agencies, as provided by MUNI and reformatted by LAFCO staff.

Facility	Status	Participating Agency
Lytle Creek Pipeline	Complete	San Gabriel Valley Municipal Water District
Foothill Pipeline, SARC Pipeline, Greenspot Pipeline, Yucaipa Pipeline, East Branch Extension (Phase I)	Complete	San Gorgonio Pass Water Agency
Baseline Feeder Wells and Pipeline	Complete	West Valley Water District, City of Rialto, Riverside Highland Mutual Water Company
Baseline Feeder Wells Extension South	Complete	Western Mutual Water District, City of San Bernardino (operate)
Yucaipa Connector Pipeline	Complete	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Mentone South Pipeline, Mentone East Pipeline, (East Branch Extension Pipeline, Phase II)	Construction	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Citrus Reservoir & Pump Station	Construction	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Crafton Hills Pump Station Extension	Construction	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Crafton Hills Reservoir Extension	Construction	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Enhanced Recharge in Santa Ana River Basins Project (stormwater capture)	Design permitting, Land acquisition	Western Municipal Water District, SB Valley Water Conservation District, Riverside Public Utilities, Meeks & Daley Water Company, Riverside Highland Water Company, University of CA, Riverside
Foothill Pump Station	Complete	Metropolitan Water District of So. Cal.
Central Feeder Pipeline, Redlands Reservoir & Pump Station	Complete	Currently developing partnerships, State grants
10 th Street Pipeline	Complete	Owned by San Bernardino Municipal Water Dept. MUNI owns 61.98% of capacity
Virginia Street Pipeline	Complete	Owned by San Bernardino Municipal Water Dept. MUNI owns 46.73% of capacity
Texas Street Reservoir	Complete	Owned by City of Redlands, MUNI owns 2.3 million gallons of capacity

In 2012 an agreement to Develop and Operate Enhanced Recharge Facilities was entered into by the SB Valley WCD, MUNI, and Western Municipal Water District

(Riverside County). The purpose for the agreement is to collaborate by increasing opportunities to recharge local surface water supplies, as well as State Project Water, in the San Bernardino Basin Area by reducing the time and cost required to permit and construct essential public infrastructure (such as spreading basins); and by working together to achieve an efficient division of labor in the operation and maintenance of water infrastructure. The goal of the agreement is to harmonize their water resource activities with other uses, for the optimization of coordinated use by all. Pursuant to the agreement, SB Valley WCD is to lease its facilities and land with financial compensation for the purpose of recharging to MUNI and Western MWD, and such use shall be only for the purpose of recharging, storing or conveying water from any source into or through the percolation basins and other facilities owned or controlled by the SB Valley WCD. The Agreement also requires SB Valley WCD to, hold in reserve, money from the lease payments to prepare for basin cleaning.

B. Opportunities for shared facilities

Multiple opportunities exist for additional shared facilities. Agencies that have a mandate or need to capture stormwater can contract with other agencies that own land in a particular location. As for water education, the Chino Basin WCD operates the sole demonstration garden within the Chino Basin. Consolidation of all water education efforts in the Chino Basin to be performed by Chino Basin WCD would maximize the use of its newly constructed facilities.

As long as there are multiple agencies authorized to provide stormwater capture the opportunity to share facilities will remain. In the West Valley, the Watermaster and IEUA are working together to develop two new retention facilities at the Turner Basin. The City of Ontario and San Bernardino Associated Governments (SANBAG) agreed to spend \$4.5 million to dig out 175,000 cubic yards of soil to form a new water retention basin. In exchange they are keeping the soil for a railroad crossing project.

The opportunity for a shared demonstration facility in the East Valley similar to that of Chino Basin WCD or Cucamonga Valley Water District would benefit the East Valley. Instead of one agency bearing the cost of such a facility, utilizing an existing joint powers mechanism would be preferred. Moreover, such facilities already exist under the Chino Basin WCD and Cucamonga Valley Water District. The East Valley agencies could contract with either of these districts for use of its facilities when needed.

C. Conclusion for Determination V.

Throughout the Valley Region there are numerous partnerships between the Flood Control District, the municipal water districts, and the water conservation districts for storm water capture. This symbiotic relationship produces both economies of scale and duplication of service. As long as there are multiple agencies authorized to provide stormwater capture the opportunity to share facilities will remain.

Determination VI.
Accountability for community service needs, including governmental structure and operational efficiencies

A. Governmental Structure

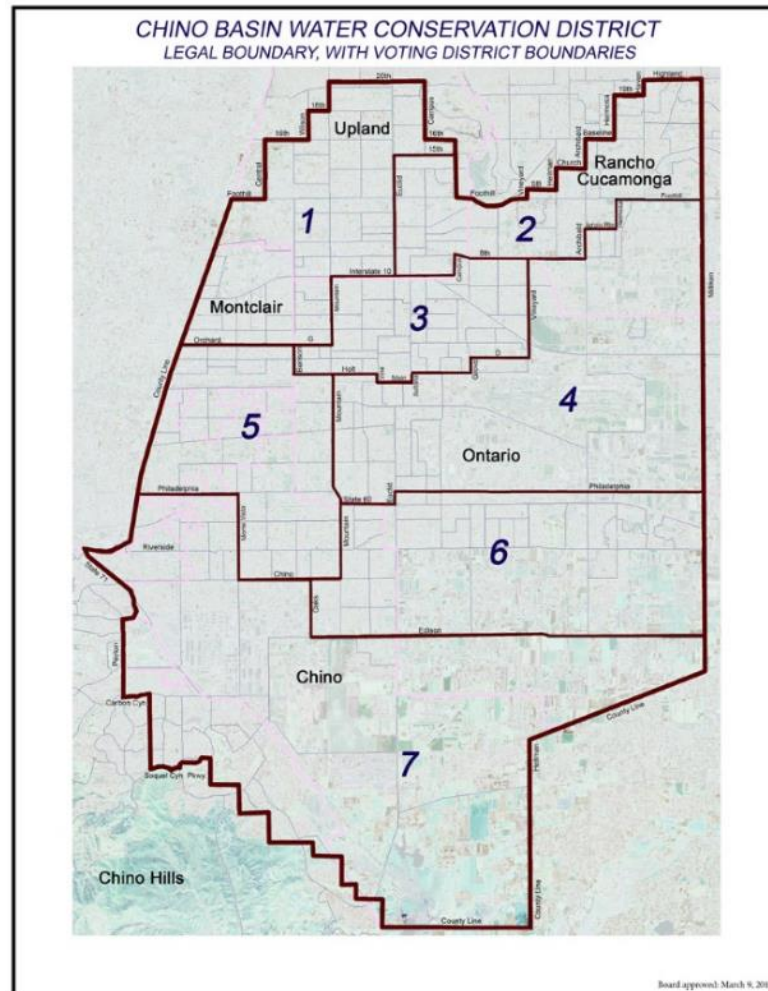
Board of Directors

The primary districts reviewed in this report are independent special districts each governed by a 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.

Chino Basin WCD

The Chino Basin WCD is governed by a seven-member board elected by division and operates with eight committees: Finance, Personnel, Education, Recycled Water, Facilities, Advertising (Ad-hoc), Basin Landscape, and Potential Storm Water Capture Facilities (Ad-hoc). A review of the election results from the County Registrar of Voters website and County Clerk of the Board database since 1996 identifies competitive elections in 1997 (2 of 4 seats), 1999 (2 of 3), 2001 (2 of 4), 2008 (1 of 4), and 2012 (1 of 4). The current composition of the board is shown below with a map of the voting divisions to follow:

Board Member	Title	Term	Division	Elected/Appointed last election
Terry King	Director	2018	1	Appointed In-Lieu of election
Kati Ooten Parker	President	2016	2	Appointed In-Lieu of election
Margaret Hamilton	Director	2018	3	Appointed In-Lieu of election
Paul Hofer	Vice-President	2016	4	Appointed In-Lieu of election
Al Yoakum	Director	2016	5	Elected
Hanif Gulmahamad	Director	2016	6	Appointed In-Lieu of election
Geoffrey Vanden Heuvel	Treasurer	2018	7	Appointed In-Lieu of election



A review of the election results from the County Registrar of Voters website and County Clerk of the Board database identifies that since 2003 there have been only two competitive elections, the remainder 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."⁴⁰

The public's lack of knowledge of the district as well as having seven divisions instead of five may be contributing to the lack of competitive elections. Therefore, a reduction in board members from seven to five, as did SB Valley WCD, may allow for competitive elections.

⁴⁰ California Senate Local Government Committee, *What's So Special about Special Districts?*, Fourth Edition, October 2010.

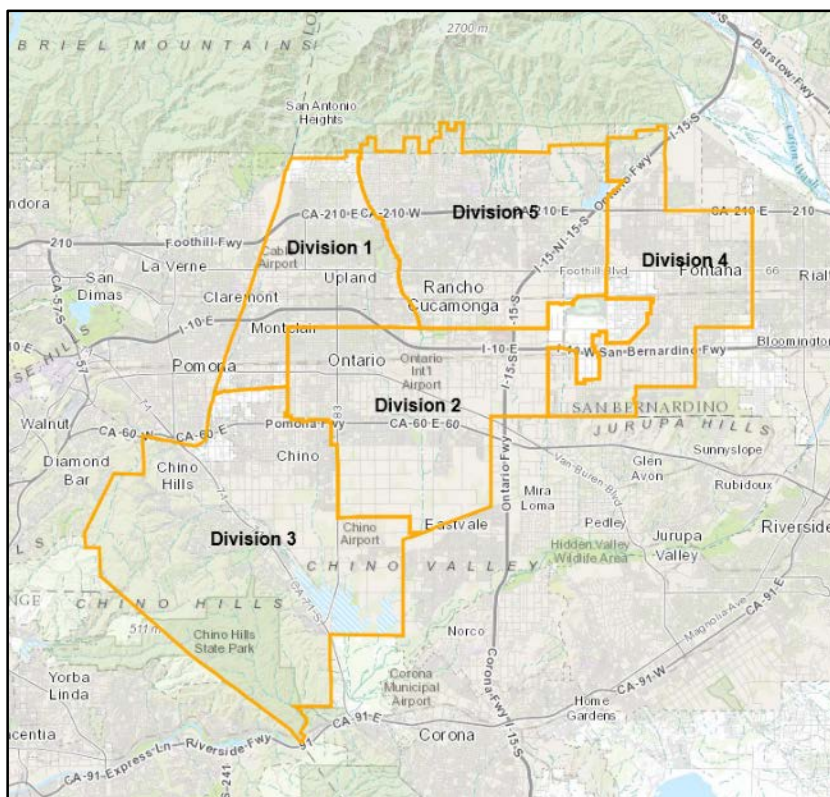
Currently, the District employs a total of 14 employees consisting of 12 full-time employees (one General Manager, one Conservation Specialist, one Community Outreach/Education Coordinator, one Administrative Assistant, one Office Assistant, two Conservation Technicians, three Landscape Maintenance Workers, one Facility/Landscape Maintenance Supervisor), one part time employee (Technical Writer), and two part time interns.

Specific to the education function of the district, two full time employees are assigned 100% of their efforts to education (Community Outreach and Education Coordinator and Community Outreach and Education Assistant). The Conservation Specialist current is assigned 75% of time to education, which is planned to transition to 100%. The Conservation Assistant is assigned 50% of the time to education. Five additional employees are QWEL certified and teach the classes to professional landscapers. Due to the drought and the Governor's direction on water conservation, it is the district's desire to have all employees involved in water conservation.

IEUA

A five-member Board of Directors governs the Inland Empire Utilities Agency. Each director is elected by division, Division 1 (Upland/Montclair); Division 2 (Ontario); Division 3 (Chino/Chino Hills); Division 4 (Fontana); Division 5 (Rancho Cucamonga), and serves a four-year term. A review of the election results from the County Registrar of Voters website and County Clerk of the Board database since 1996 identifies competitive elections in 1996 (2 of 2 seats), 1998 (1 of 3), 2000 (1 of 2), 2004 (2 of 2), 2006 (2 of 3), 2008 (2 of 2), 2010 (3 of 3), and 2014 (1 of 3). The current composition of the board is shown below with a map of the voting divisions to follow:

Board Member	Title	Term	Division	Elected/Appointed last election
Terry Catlin	President	2016	1	Appointed in lieu of election
Gene Koopman	Director	2018	2	Elected
Steven Elie	Secretary/Treasurer	2018	3	Appointed in lieu of election
Jasmin Hall	Director	2018	4	Appointed in lieu of election
Michael Camacho	Vice President	2016	5	Appointed in lieu of election



The Agency's staff consisted of 295 authorized positions, of which 258 were filled as of June 30, 2014. The Agency is organized with five executive staff (General Manager, Executive Manager of Policy Development, Executive Manager of Operations, Executive Manager of Engineering, and the Chief Financial Officer) and 12 management staff. Of the 258 employees, 2.6 Full Time Equivalent positions were dedicated to recharge water programs and 4.3 to water related activities and conservation programs.

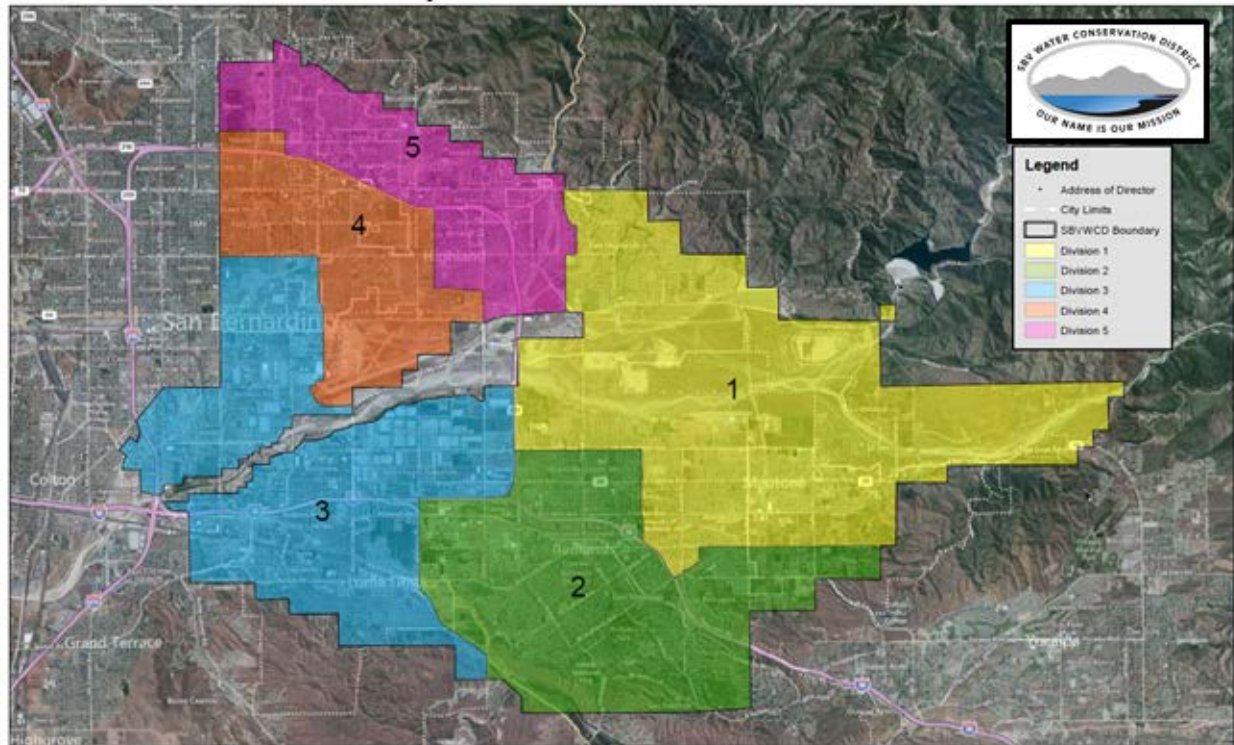
SB Valley WCD

The SB Valley WCD is governed by a five member Board of Directors, elected within divisions. Up until December 2013, the District had seven seated Board Members. In October 2012 it acted to reduce its number of elected representatives in accordance with the requirements of SB-235, a bill sponsored by the district to allow it to reduce from seven board members to five board members. The Board adopted Resolution No. 481 Implementing Senate Bill 235, ordered the reorganization of the divisions, and reduced the number of board members from seven to five in September 2012.

Board elections are held by mail ballot in the August of each odd year. A review of the election results from the County Registrar of Voters website and County Clerk of the Board database since 1996 identifies competitive elections in 1997 (1 of 4 seats), 1999 (1 of 3), 2001 (1 of 4), 2009 (1 of 4) and 2011 (1 of 3). Since the reorganization of the divisions, all board members have been appointed. The current composition of the board is shown below with a map of the voting divisions to follow:

Board Member	Title	Term	Division	Elected/Appointed last election
Richard Corneille	President	2015	1	Appointed in lieu of election
David Raley	Director	2017	2	Appointed in lieu of election
Manuel Aranda Jr.	Director	2015	3	Appointed in lieu of election
John Longville	Director	2017	4	Appointed in lieu of election
Melody Henriquez-McDonald	Vice-President	2017	5	Appointed in lieu of election

San Bernardino Valley Water Conservation District Division Boundaries

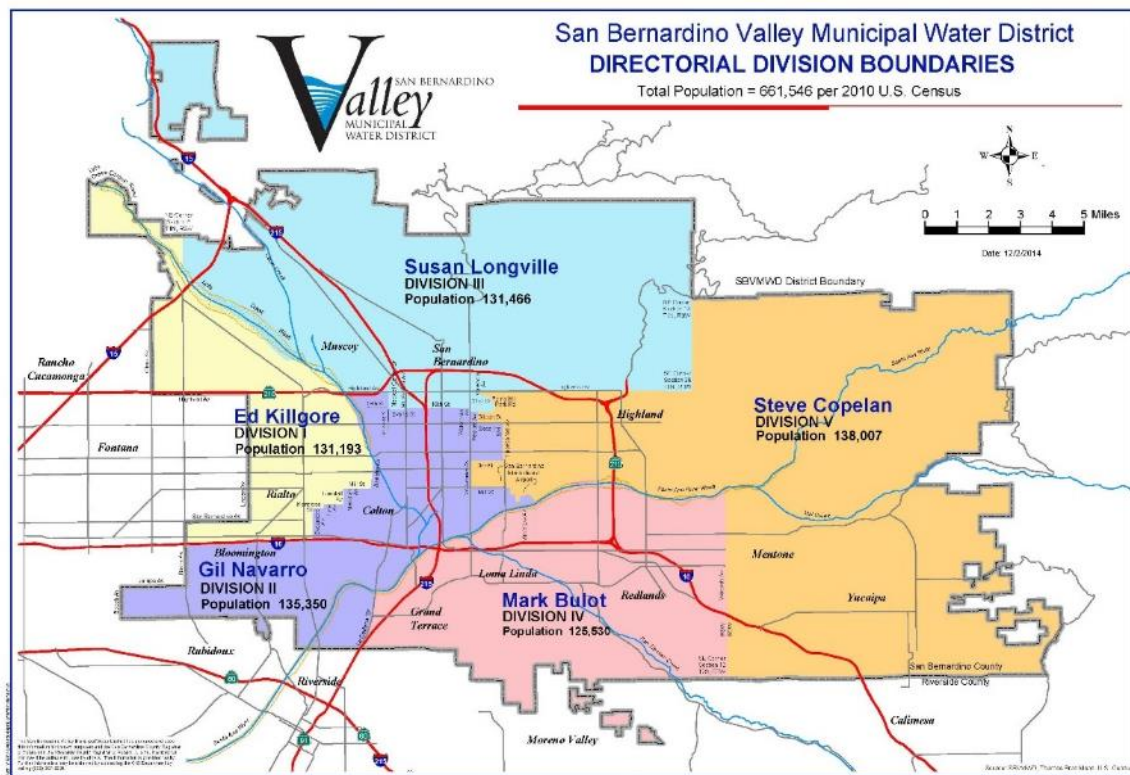


SB Valley WCD currently has six full time staff authorized by the Board: two field staff, two administrative staff, Land Resources Manager, and General Manager. Part time interns change as students are hired and graduate. Currently, there are no other part time staff. For large maintenance activities, temporary labor may assist the field staff.

MUNI

San Bernardino Valley Municipal Water District is governed by a five member board of directors that each represent one division within MUNI's service area. A review of the election results from the County Registrar of Voters website and County Clerk of the Board database since 1996 identifies competitive elections in 1996 (1 of 2 seats), 1998 (3 of 3), 2000 (2 of 2), 2008 (1 of 2), 2010 (3 of 3), 2012 (2 of 2), and 2014 (3 of 3). The current composition of the board is shown below with a map of the voting divisions to follow:

Board Member	Title	Term	Division	Elected/Appointed last election
Ed Killgore	Treasurer	2016	1	Elected
Gil Navaro	Secretary	2016	2	Elected
Susan Longville	Director	2018	3	Elected
Mark Bulot	President	2018	4	Elected
Steve Copelan	Vice-President	2018	5	Elected



B. Governmental Structure Opportunities

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review ⁴¹. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

In some cases, functional consolidation or integration can reduce costs so that services can be maintained and improved with fewer dollars. A service review should address possible options for the community to consider for the future. Movement towards these

⁴¹ State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

scenarios would include, but not be limited to, the requirement to prepare a plan for service, fiscal impact analysis, and any other required studies.

1. Reorganization to include Consolidation of the Water Conservation Districts

In the West Valley and East Valley there is overlap of both storm water capture and water education activities by the water conservation districts and the municipal water districts, as well as the Flood Control District. In each circumstance, the water conservation district is 1) a single purpose district (in fact the two water conservation districts in San Bernardino County are the only water conservation districts in the state that do not provide wholesale or retail water), 2) is not the only agency within its basin that provides stormwater capture or water education, 3) is overlaid by a municipal water district and flood control district that are authorized and actively provide stormwater capture, and 4) is overlaid by a municipal water district that engages in water education activities regionally. Therefore, the discussion of streamlining these activities in the Valley Region is warranted.

To dissolve a water conservation district, Water Conservation District Law requires a petition signed by 60% of the registered voters within a water conservation district to support the dissolution. This requirement would have to occur for each of the water conservation districts. Therefore, dissolution of either water conservation district is not likely given these requirements. Instead, consolidation of a water conservation district provides a more likely mechanism.

Consolidation offers the greatest level of benefit for resource management, seamless operations, and standardized coverage. For stormwater capture, overhead would reduce as shared equipment and labor would result in savings. All areas would participate in capital costs for new equipment and facility upgrades. The redundancies for multiple elected and appointed officials as well as leadership staff would be eliminated. It would be expected that a single agency could use resources more effectively, and water education activities could consolidate thereby resulting in a single, streamlined message.

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. In the case of outstanding debt, a condition would be imposed by LAFCO whereby the area that incurred the debt pays off that debt. Therefore, the other consolidating agencies would not be subject to such debt payments. An application for consolidation would include a condition that all property tax revenue from each district would transfer to the consolidated district.

a. Regional - One Water Conservation District for the Valley Region

Since the formation of the two water conservation districts in the Valley, there are significant gaps in coverage of a water conservation district, particularly within the Rialto-Colton basin. This scenario would include consolidation of the two water conservation districts and annexation of the remainder of the Valley Region.

Historically, the two water conservation districts were formed by the needs of the respective areas. SB Valley WCD was preceded by a voluntary water conservation association formed in 1908 for water recharge and protection of water rights. Chino Basin WCD was formed in 1949 to protect the Chino Groundwater Basin.

The benefits of a single regional agency responsible for water conservation is that the consolidated agency could be the primary agency responsible for water conservation for the entire Valley Region to include storm water capture and public education. The area in between the two water conservation districts is covered by the Lytle Creek Water Conservation Association⁴². For public education, this would provide a single voice on the matter thus removing the fractured message, program, and educational opportunities. Also, the newly constructed facilities of the Chino Basin WCD (Water Conservation Center and Waterwise Demonstration Garden) would be available to the entire Valley Region. In response to the draft staff report, SB Valley WCD states that it believes that the local nature of water conservation is important. While public education does benefit from coordination and unification such as is done in the East Valley with iEfficient and cooperatively funding Inland Empire RCD programs, the district does not believe that public education would be specifically enhanced by consolidation.

However, this would not streamline the storm water capture activity because the Flood Control District and the municipal water districts would continue to contract with the water conservation district. While there would be one less water conservation district in sum, the level of contracting between the consolidated water conservation district and other agencies would remain. Thus, it appears that economies of scale for stormwater capture would not be maximized in this regard. Moreover, each basin is unique with its own geology and challenges. Total basin management (one agency to oversee all activities per sub-basin) would maximize efficiencies instead of a regional storm water capture agency. Further, the Chino Basin and San Bernardino Basin Area are adjudicated and basin management is paramount.

While LAFCO staff supports this effort and the consolidation if proposed by the two agencies could not be denied by the Commission, it appears that the two Municipal Water Districts would not support this jurisdictional change.

⁴² A 1924 judgment allocated all water rights in the Lytle Creek Region to the various user agencies.

b. Regional - San Bernardino County Flood Control District Assuming all Storm Water Capture

The special legislation forming the San Bernardino County Flood Control District prescribes water conservation activities as one of its functions for the waters of San Bernardino County. This scenario would include the consolidation of the two water conservation districts with the Flood Control District with the consolidated district being the Flood Control District. This would reduce the duplication of the agencies that are authorized to perform storm water capture (all the agencies reviewed in this report). The result would be the Flood Control District as the primary storm water capture agency in the Valley Region. Additionally, the Flood Control District could jointly manage the movement of flood water and capture of storm water.

Similar reasoning as with the consolidation of the water conservation districts option described above, the unique geography of each basin along with its own challenges would not support a total basin management approach. Further, the Chino Basin and San Bernardino Basin Area are adjudicated and basin health is paramount. For these reasons, the overlying municipal water districts would probably not support this scenario.

In addition, as a part of the processing of this service review, the Flood Control District has identified that its primary function is to move flood waters as quickly and safely through the area so as not to cause damage. Lacking support of the two municipal water districts and the Flood Control District, this option is not likely.

c. Consolidation of the Water Conservation District and its Respective Municipal Water District

In this scenario, the smaller water conservation district consolidates with the larger municipal water district. In the West Valley this would include Chino Basin WCD and IEUA, and in the East Valley this would include SB Valley WCD and MUNI. The discussion immediately below describes consolidation between the water conservation districts with the municipal water districts in general. A discussion of each specific consolidation scenario also follows.

Each municipal water district overlays the entirety of the respective water conservation district and both are authorized to and actively perform water conservation activities. Further, the municipal water district contracts with the water conservation district to provide conservation programs on its behalf. Therefore, economies of scale can be achieved through consolidation.

Should an agency submit an application to LAFCO to consolidate a water conservation district with a municipal water district, the plan for service would need to show that storm water capture and water education would not decrease. Further, the application would need to show the effects, if any, on the adjudications and contract with the Department of Water Resources for the State

Water Project. The municipal water districts in essence would institute a water conservation division to continue all water conservation activities.

Water Conservation Act of 2009

For efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by 2020), nor 2) responsible for helping the retail agencies within its boundary achieve their water use reductions as the water conservations districts are not “urban wholesale water providers”.⁴³ Therefore, the water conservation districts lack the ability to significantly contribute to important water conservation legislation regarding reducing consumer consumption.

Sustainable Groundwater Management Act of 2014

The Sustainable Groundwater Management Act of 2014 enacted comprehensive legislation aimed at strengthening local control and management of groundwater basins throughout the state. The Act provides provide tools and authorities for local agencies to achieve the sustainability goal over a 20-year implementation period. The first step to implement the Act is for local agencies to form local groundwater sustainability agencies (GSAs) by June 1, 2017. The second step is the adoption of groundwater sustainability plans (GSPs) by January 31, 2020 for basins determined by the Department of Water Resources to be in critical overdraft and by January 31, 2022 for those not in critical overdraft. Once the GSPs are in place, local agencies have 20 years to fully implement them and achieve the sustainability goal.

Current interpretation of the Act reads that adjudicated basins are exempt from creating a GSA and a GSP, but still requires reporting to the state. In this case, the court-appointed receivers (Chino Basin Watermaster and MUNI) can fulfill the reporting requirement to the state. Further, in the Chino Basin the IEUA and the Chino Basin Watermaster jointly report to the court on basin monitoring. Additionally, some basins extend beyond the adjudicated boundary, and in this case the larger agency may be the best suited to perform the task of the GSA, being the municipal water districts in the Chino Basin and San Bernardino Basin Area.

i. West Valley - Consolidation of Chino Basin Water Conservation District and the Inland Empire Utilities Agency

Moving towards total basin management, the Chino Basin WCD’s boundaries only cover approximately the westerly 50% of the Chino Groundwater Basin, with the other 50% composed of 30% in San Bernardino County and 20% in Riverside and Los Angeles Counties. The IEUA encompasses the entire Basin portion that is within San Bernardino County.

⁴³ Water Code 10608.36

Previous Dissolution Proposals

In 1969, LAFCO considered a proposal submitted by the County to dissolve the Chino Basin WCD (LAFCO 823). The County's application to LAFCO reasoned that the district received property taxes yet provided few if any services and that other districts can and do provide similar services. However, the proposal was terminated because the Commission determined that the district was not considered a district under the terms of the former District Reorganization Act (therefore not under LAFCO purview at that time), and LAFCO statute directed the process to return to the district's principal act.

In 1983 the San Bernardino LAFCO Commission directed its staff to conduct a special study on water conservation in the Chino Basin to include the multifaceted areas of water conservation, water resource management, and water reclamation. The special study produced a paper titled, A Position Paper Expressing Concern for the Water Conservation Program within the Chino Basin. A copy of the paper is included as Attachment #4 to this report.

The paper reiterated how important is it, and will continue to be, that the region have a coordinated program to conserve natural waters. The paper found that there was no coordinated program at that time and that efforts in water conservation were fragmented, and enormous quantities of water which might be preserved were lost to the area. The paper indicated several options as to funding and as to an organizational structure which might provide a coordinated program. In examining the options for solution, considering expertise, staffing and resources, the paper indicated that the two agencies best suited to perform a coordinated conservation effort were the Chino Basin Municipal Water District (now Inland Empire Utilities Agency) and the County Flood Control District – but neither of these would want the assignment without the assurance of full support from all the other benefitting agencies. The summary of responses from water agencies in the basin generally supported the conclusions of the study and supported a coordinated effort for water conservation, but no specific plans were identified.

According to the initial service review in 2002 for Chino Basin WCD, around 1997 the County of San Bernardino, in participation with LAFCO staff, explored the possibility of dissolving the district, with the water conservation functions to be succeeded by either IEUA or the Flood Control District. The County drafted legislation, which later failed to pass, to clarify the process that would occur if dissolution were proposed. Legislation was necessary because the district is an unusual agency that was partly under LAFCO jurisdiction and partly under the jurisdiction of its own principal act. At that time, LAFCO could review and consider and approve or deny reorganizations, but the protest hearing followed the provisions of the principal act which made it impossible for dissolution or consideration or any change to occur without agreement of the district board of directors. In this case, the district board did not agree that the district should be dissolved or

consolidated with another agency but suggested that the district provides a unique service in the West Valley.

Present

In the materials presented to LAFCO for this service review, Chino Basin WCD states that it has the primary responsibility and emphasis upon the spreading and conservation of natural run-off water. If this function were consolidated into another water organization that is multi-function, the conservation aspect could lose its primary emphasis. However, IEUA currently has substantial financial resources and various legal and stewardship obligations to ensure continued successful groundwater resource management. Part of IEUA's Vision is to continue to develop and protect local water supplies in an effort to "drought-proof" the Chino Basin region and promote water reliability by:

- Expanding use of recycled water in irrigation, landscaping and industrial uses in lieu of more costly imported water;
- Maintain groundwater recharge basins in order to optimize the recharge of storm water, recycled water and replenishment imported water supplies;
- Protect the quality of local water supplies by reducing salt and other emerging contaminants; and
- Promote water conservation and water use efficiency through education and outreach programs that inform the public of the importance of protecting water

This option is feasible given the information and reasoning identified above. The Chino Basin WCD has expressed its opposition to such a change and the IEUA has not publicly provided its position on this scenario.

ii. East Valley - Consolidation of San Bernardino Valley Water Conservation District and San Bernardino Valley Municipal Water District

In March 2006, San Bernardino LAFCO, per determinations and findings in Resolution 2893, approved a "zero" sphere of influence for SB Valley WCD. LAFCO's position at that time was that a single water conservation entity should address the water conservation services in the Bunker Hill Groundwater Basin, and SB Valley WCD should be consolidated with the San Bernardino Valley Municipal Water District (MUNI) in the future. The "zero" sphere was determined by LAFCO to be "...subject to review and change in the event a future significant change of circumstances so warrants." In July 2008, a proposed consolidation of SB Valley WCD and MUNI was denied by LAFCO.

The same arguments for the consolidation of Chino Basin WCD and IEUA apply to this scenario. During the processing of this service review, both the SB Valley WCD and MUNI have expressed the lack of desire to consolidate

given the contentious nature of the previous consolidation proposal and the deep and painful wounds that linger.

2. Formation of a Groundwater Sustainability Council for the East Valley

In response to the recent groundwater legislation to form groundwater sustainability agencies (GSAs) by June 1, 2017, and as an alternative to consolidating San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, and the East Valley Water District ("East Valley WD") have submitted a joint letter signed by the respective general managers on the possible formation of a Regional Sustainable Groundwater Management Council. Copies of the letter dated December 12, 2014 and April 1, 2015 are included as Attachment #5. The concept has been vetted with each board with universal intent to move forward.

In sum, the letter expresses the following:

- We agree the questions LAFCO is asking are important.
- We support the intent of the questions and MSR [service review] process.
- We feel consolidation is damaging to the working relationships of the agencies.
- Basin water agencies are proposing a Regional Groundwater Sustainability Council, related to recent groundwater legislation requirements.
- With this proposal and the agencies' working relationships, consolidation is unneeded and produces an inferior result.

The letter identifies the goals of the Council at this time as:

- Develop collaborative management to ensure efficiency and fairness of costs to beneficiaries. The following agencies are expected to become members which eliminates equity issues in the current SB Valley WCD groundwater charge: Cities of Riverside, Redlands, San Bernardino, Loma Linda, Colton, and Yucaipa; East Valley WD; West Valley WD; agricultural and industry; mutual water companies; Fontana Union Water company, MUNI, and SB Valley WCD.
- Develop regional Groundwater Sustainability Council structure to help basin users meet sustainability need and share responsibility.
- Replace [SB Valley WCD] Groundwater Charge with part of basin sustainability funding.
- Use the opportunity to develop a cost model fair to all producers, small and large, public and private, in a collaborative manner.
- Protect recharge lands and long-term ability to recharge.
- While not all water related entities have had adequate time to discuss all elements of the Groundwater Sustainability Council, there is demonstrated support for moving to form such an organization.

The Groundwater Sustainability Council will be implemented through an agreement that will provide for the equitable funding of groundwater recharge for each basin covered by the Council. The Council's purpose will in no way change the existing

authority of the elected city councils and special district boards of directors that make up the Council. These governmental structures will fully retain their legislative authority to set rates, appropriate funds, etc. The Council, made up of general managers or equivalent staff representatives, will perform the scientific studies to determine the water supply and funding needs and then develop recommendations for their respective boards.

While this scenario does not achieve the full range of economies of scale in a consolidation, the formation of this Council would in essence be a functional consolidation, an effort that this Commission has historically supported.

Of note, this option does not require LAFCO approval except in the instance of service outsider an agency's boundaries. Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. If an agency is anticipated to actively provide a service outside of its boundary it would need to submit an application to LAFCO requesting either approval or exemption from Section 56133. In this scenario, if the San Bernardino WCD is intended to perform activities outside its boundaries, that contract would need to be reviewed and approved by LAFCO.

3. West Valley – Sphere of Influence Expansion for the Chino Basin Water Conservation District to encompass the Chino Groundwater Basin

The Chino Basin WCD has long provided water conservation sustainability through demonstration and education and it provides this service well. To further its demonstration and education service, it opened its Water Conservation Center campus in 2014. However, the Chino Basin WCD does not encompass the entire Chino Basin nor does it encompass all of the San Bernardino County portion of the Basin. A sphere of influence expansion would allow the district to have a greater role in recharge planning and education activities throughout the Basin. This would ultimately support the position that the Chino Basin WCD and IEUA should be one agency for the future.

4. East Valley – Sphere of Influence Expansion for the San Bernardino Valley Water Conservation District to encompass the Remainder of the Bunker Hill Basin

The San Bernardino Valley Water Conservation District has submitted an application to LAFCO requesting expansion of its sphere of influence from a zero sphere designation to one that extends beyond its boundary to include territory along the Santa Ana River (LAFCO 3173). Per Government Code Section 56076, a "Sphere of influence" means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission.

However, LAFCO and its staff have continually expressed its sentiments that the district move towards expanding its sphere of influence to encompass the entirety of the Bunker Hill Basin. Therefore, the staff would recommend that LAFCO 3173 be modified to address the boundaries of MUNI as an alternative for further discussion.

In response to the draft staff report, the District requested in LAFCO 3173,

“a sphere that was supported by the agencies it currently serves. Our request has not changed. However, to address LAFCO suggestions, the 2014 Groundwater Management Act and build on the broad cooperative environment building in East Valley, the District with Muni, East Valley Water District and others is organizing the Groundwater Sustainability Council [GSC] to address the same issues LAFCO raises here. We feel that there is an opportunity to solve several issues in this cooperative coordinated effort that would not be solved in consolidation or changes to spheres themselves. However we do agree that the sphere, as ultimate service area, should be addressed with the GSC. We strongly believe that LAFCO should allow the GSC to form and implement its programs and assess the needs for changes to services based on its efforts and the developing changes being considered.”

5. Maintenance of the Status Quo

The maintenance of the current government structure is always an option. It is likely that IEUA will be involved in some manner for the reporting related to the groundwater legislation as it already jointly reports to the court, along with the Watermaster, for the Chino Basin. Therefore, the role of the Chino Basin WCD would remain duplicative.

In the East Valley, the groundwater sustainability agency is proposed to the Groundwater Sustainability Council described above. Nonetheless, the role of the SB Valley WCD would remain duplicative as MUNI and Western Municipal Water District are the Watermaster for the San Bernardino Basin Area.

C. Conclusion for Determination VI.

Within at least the past ten years, the two water conservation districts have not consistently yielded enough candidates for the board of directors to field competitive elections. This has resulted in the majority of the seats being filled by appointments in lieu of election. The elections for the Municipal Water Districts are more competitive: IEUA has had an election for at least one board member in eight out of the last ten election cycles; and MUNI has had an election for at least one board member in seven out of the last ten election cycles.

Given the determinations of this service review, LAFCO staff's position is that one of two options should be supported by the Commission: (1) the consolidation of the two Water Conservation Districts into a single Water Conservation District serving the entirety of the Valley region and bringing the educational opportunities to a much broader constituency, or (2) two water conservation districts should consolidate with its respective overlaying municipal water district.

The first scenario of a single Water Conservation District encompassing the Valley has not been supported by any of the districts citing such concerns as separate basin activities and resources to the location of operations and governance. While this

scenario would provide direct control of the consolidation process by the Water Conservation Districts and provides for a means to extend the conservation educational elements to all of the urban valley region, it appears that it has been discounted by all involved in the study. Without support from some quarter of the affected agencies, success would not be anticipated.

Turning to option two, consolidation with the respective Municipal Water Districts, for SB Valley WCD, a proposed consolidation of the SB Valley WCD and the San Bernardino Valley Municipal Water District was denied by LAFCO on the basis that the financial and structural issues identified by staff were being addressed by the District and consolidation would not offer an assurance of the continued services. During the processing of this service review, both the SB Valley WCD and MUNI have outlined their reluctance to consolidate given the contentious nature of the previous process and the deep and painful wounds that linger. However, as a part of this service review these agencies, along with East Valley Water District, have submitted an outline to form a Groundwater Sustainability Council ("Council") for stormwater capture, water import funding, and groundwater recharge which they are circulating to the east valley retailers. This effort proposes a means or mechanism to coordinate key functions and shared services and facilities, absent formal consolidation. The Council would be the responsible entity for ensuring adequate stormwater capture, imported water funding, and groundwater recharge efforts. The Council would be composed of the general managers of the water producers from the basin. While this scenario does not achieve consolidation it moves toward shared services and facilities, and it provides a means to move towards more efficient provision of this service in the East Valley area. While not the preferred method for service provision, LAFCO staff would support this option absent a desire for consolidation by the agencies. The one caveat with the structure is that the general managers form the council rather than elected officials which does not allow for a true functional consolidation as a joint powers authority would. Given the proviso identified above, LAFCO staff supports this effort and in doing so recommends that the Commission modify LAFCO 3173 to evaluate the alternative of modifying the SB Valley WCD's sphere of influence to be more in line with the Council's proposed efforts.

For the West Valley, efforts and sentiments to dissolve the Chino Basin WCD date back to at least 1969 based on the reasoning that the district's functions and services could be assumed by an overlying agency that has the same authorized functions and services (IEUA or Flood Control District). Given the information gathered and the determinations of this service review, LAFCO staff's position is that the best option for continuing the level of service currently offered for the entire West Valley would be for the Chino Basin WCD to consolidate with the IEUA. Should these districts not desire to put forth an application to LAFCO, the formation of an alliance, joint powers authority, or council similar to that as being proposed in the East Valley, as identified above, would move towards achieving greater economies of scale. Therefore, LAFCO staff recommends that the Commission initiate a sphere of influence proposal to evaluate an expansion of the Chino Basin WCD's existing coterminous sphere.

In order to address these recommendations, LAFCO staff is proposing that the Commission:

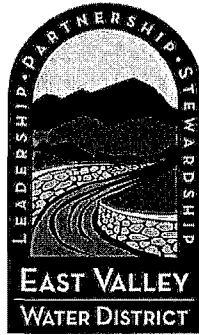
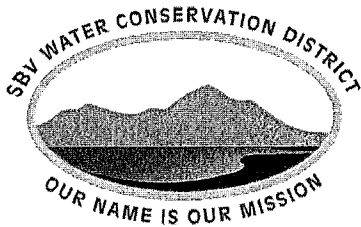
- Initiate a sphere of influence review for the Chino Basin Water Conservation District to include analysis of the following alternatives:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of IEUA;
 - Expansion to include the whole of the Chino Basin; or,
 - Designation of a zero sphere of influence.
- Modify LAFCO 3173 to include the analysis of the following alternatives for consideration:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of MUNI,
 - Include the whole of the Bunker Hill Basin, or
 - The request initiated by the District to expand the sphere of influence from its current zero sphere designation to include the district's boundary plus an additional 1,973 acres.

ATTACHMENTS

1. Maps
 - a. Location
 - b. Water Conservation Districts and Basins
2. Maps of the Upper Santa Ana River Habitat Conservation Plan (Wash Plan)
3. Financial Statements for the Agencies
 - a. Chino Basin Water Conservation District: June 30, 2014
 - b. Inland Empire Utilities Agency: June 30, 2014
 - c. San Bernardino Valley Municipal Water District, June 30, 2014
 - d. San Bernardino Valley Water Conservation District, June 30, 2014
4. 1983 LAFCO Special Study on Water Conservation in the Chino Basin
5. Letters dated April 1, 2015 and December 12, 2014 regarding Regional Sustainable Groundwater Management Council for the East Valley
6. Information Provided by the Chino Basin Water Conservation District dated March 2, 2015
7. Responses to the Draft Staff Report
 - a. Chino Basin Water Conservation District
 - b. Inland Empire Utilities Agency
 - c. San Bernardino Valley Municipal Water District
 - d. San Bernardino Valley Water Conservation District
 - e. San Bernardino County Flood Control District

Joint Letter dated July 9, 2015 from San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, and East Valley Water District

Attachment 4



July 9, 2015

Kathleen Rollings-McDonald
Executive Officer
Local Agency Formation Commission
175 West Fifth Street, Second Floor
San Bernardino, CA 92415-0490

RECEIVED
JUL 13 2015
LAFCO
San Bernardino County

Dear Executive Director McDonald:

The purpose of this letter is to request that the Local Agency Formation Commission move forward with the re-establishment of a sphere of influence for the San Bernardino Valley Water Conservation District (District) as requested in LAFCO 3173. We understand the alternative options LAFCO staff put forward in your letter dated June 17, 2015. However, the agencies that are expected to be members of the Groundwater Sustainability Council request that LAFCO agendaize this item for the August Commission Meeting for approval the sphere requested by our agencies and included in the District's application.

The District needs the certainty of a sphere to plan for the future, finance future recharge projects and provide assurances to their partners that they will be able to continue to provide water conservation services into the future. We understand no significant comments were received by LAFCO on our proposal and given the Commissions busy schedule we trust you will allow item to move forward to a vote in an expeditious manner.

Once formed, the proposed Groundwater Sustainability Council will be in a position to assess the need for a different District sphere, if appropriate.

Sincerely,

Daniel B. Cozad
General Manager, SBVWCD

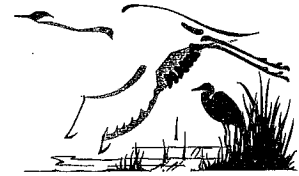
Douglas D. Headrick
General Manager SBVMWD

John J. Mura
General Manager EVWD

Letter from Tom Dodson and Associates

Attachment 5

TOM DODSON & ASSOCIATES
2150 N. ARROWHEAD AVENUE
SAN BERNARDINO, CA 92405
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October 5, 2015

Ms. Kathleen Rollings-McDonald
Local Agency Formation Commission
215 North "D" Street, Suite 204
San Bernardino, CA 92415-0490

RECEIVED
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LAFCO
San Bernardino County

Dear Kathy:

LAFCO 3173 consists of a Sphere of Influence amendment for the San Bernardino Valley Water Conservation District (District). The Sphere of Influence study area encompasses approximately 81 square miles. The study area includes the existing boundaries of the San Bernardino Valley Water Conservation District and territory within the Santa Ana River outside the District generally bounded by Boulder Avenue/Orange Street on the east; parcel boundaries along the Santa Ana River on the south (San Bernardino and Redlands); E Street on the west; and parcel boundaries along the Santa Ana River San Bernardino and Highland) on the north.

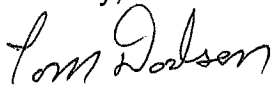
The LAFCO Staff has identified four alternative sphere configurations for the Commission's consideration. They include: 1) District Application: Expansion to include existing District boundary and "Wash Area" of the Santa Ana River; expansion of the sphere of influence to be coterminous with the sphere of influence of the San Bernardino Valley Municipal Water District (Valley District); 2) Expansion to be coterminous with San Bernardino Valley Municipal Water District Sphere in San Bernardino County; 3) Expansion to encompass the Bunker Hill Groundwater Basin; and 4) expansion to encompass the Bunker Hill Groundwater Basin and surrounding area. As we have learned from previous sphere and service reviews, the designation of a sphere, which focuses on a planning boundary, does not by itself cause any modifications to the physical environment. Only when the subsequent step is taken to physically revise the jurisdictional boundary or range of services of a service district does a potential for physical change in the environment occur.

The sphere amendment for the District does not appear to have any potential to alter the existing physical environment in any manner. Adoption of any of the four sphere alternatives does not have any potential for causing physical changes in the environment. Therefore, I recommend that the Commission find that a General Rule Statutory Exemption (as defined in the California Environmental Quality Act, CEQA) applies to LAFCO 3173 under Section 15061 (b) (3) of the State CEQA Guidelines, which states: "A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." It is my opinion, and recommendation to the Commission, that this circumstance applies to LAFCO 3173.

In this case, adopting a sphere to include Bunker Hill Groundwater Basin and surrounding area does not alter the existing operations or obligations of either District and does not adversely affect any existing physical facilities. Based on this review of LAFCO 3173 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that LAFCO 3173 does not constitute a project under CEQA and adoption of the Statutory Exemption and filing of a Notice of Exemption is the most appropriate determination to comply with CEQA for this action. The Commission can approve the review and findings for this action and I recommend that you notice LAFCO 3173 as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline sections cited above. The Commission needs to file a Notice of Exemption (NOE) with the County Clerk to the Board for this action once the action is completed.

A copy of this memorandum and the NOE should be retained in LAFCO's project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in cursive script that reads "Tom Dodson".

Tom Dodson

Draft Resolution No. 3204

Attachment 6

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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PROPOSAL NO.: LAFCO 3173

HEARING DATE: OCTOBER 21, 2015

RESOLUTION NO. 3204

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3173 – SPHERE OF INFLUENCE AMENDMENT FOR THE SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT (Expansion to encompass the jurisdiction of the San Bernardino Valley Municipal Water District in San Bernardino County and additional surrounding area).

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

WHEREAS, a sphere of influence amendment was initiated by the San Bernardino Valley Water Conservation District in San Bernardino County and was filed with the Executive Officer of the Commission in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and,

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

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

WHEREAS, the public hearing by this Commission was held upon the date and at the time and place specified in the notice of public hearing and in any order or orders continuing the hearing; and,

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

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this sphere of influence amendment is statutorily exempt from CEQA and such exemption was adopted by this Commission on October 21, 2015. The Commission directed its Executive Officer to file a Notice of Exemption within five working days of its adoption; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of

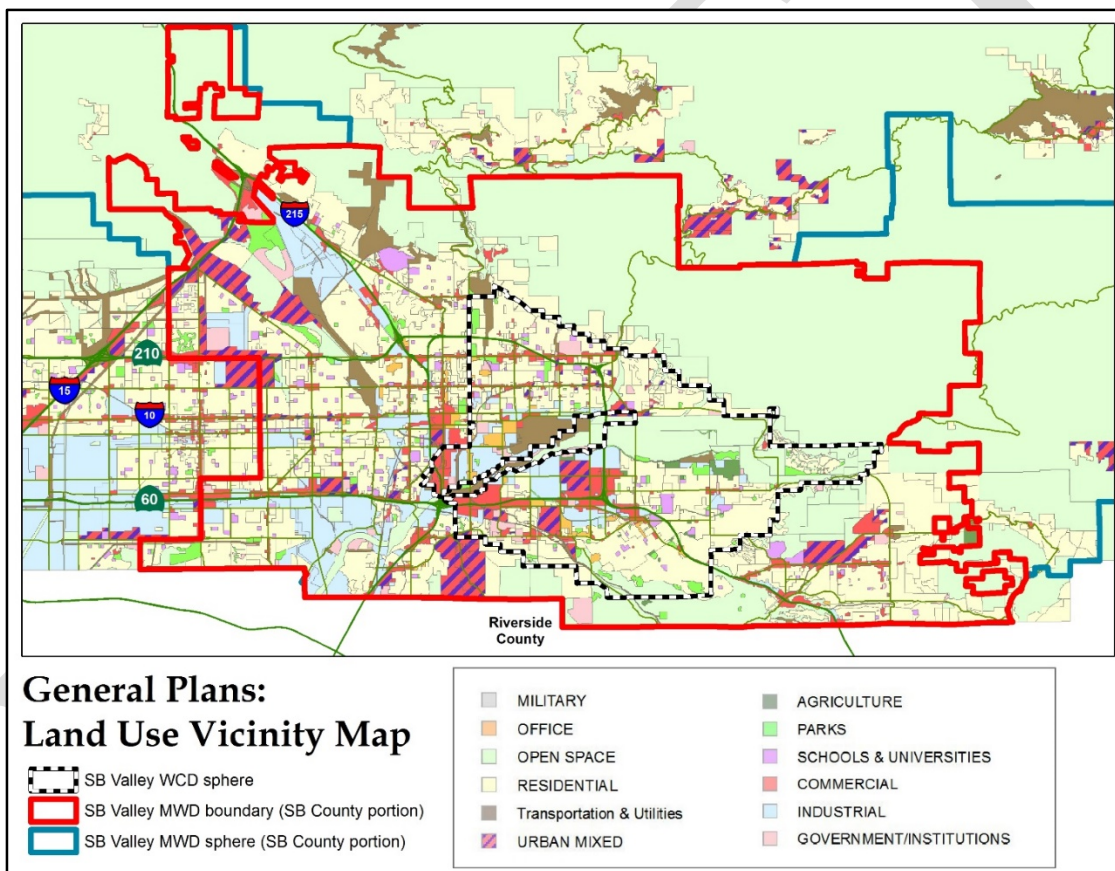
RESOLUTION NO. 3204

influence for San Bernardino Valley Water Conservation District should be expanded by approximately 270 square miles to encompass the jurisdiction of the San Bernardino Valley Municipal Water District in San Bernardino County and additional surrounding area, as more specifically described on the attached Exhibit “A” and “A-1”; and,

WHEREAS, the following determinations are made:

1. **The present and planned land uses in the area, including agricultural and open space lands;**

The map below illustrates the land use designations of the city and county jurisdictions within the study area. As shown, the full range of land uses vary and include densely developed residential uses, industrial, San Bernardino International Airport and its airport land use plan, open space uses within the floodway of the Santa Ana River, and the San Bernardino National Forest.



2. **The present and probable need for public facilities and services in the area;**

Present Need

The population within the San Bernardino Valley Municipal Water District (“MUNI”) sphere and San Bernardino Valley Water Conservation District (“SB Valley WCD” or “District”) increased 14% and 8%, respectively, from 1990 to 2000. The 2015 estimated population is 679,858 (MUNI sphere) and 231,357 (SB Valley WCD sphere), and projections identify the areas to grow at marked lesser rate of 0.5% annually through 2020.

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There are five basins, or portions of, within the East Valley. As part of the California Statewide Groundwater Elevation Monitoring Program and pursuant to the California Water Code §10933, DWR is required to prioritize California groundwater basins to help identify, evaluate, and determine the need for additional groundwater level monitoring. As identified by the DWR, the Bunker Hill and Riverside-Arlington basins have been designated as High Priority basins (high cumulative ratings as shown in the chart below) and the Rialto-Colton, San Timoteo, and Yucaipa basins as Medium Priority basins for future monitoring.

For the first time in California's history, urban water suppliers are required to comply with new mandatory restrictions aimed at achieving a statewide 25 percent reduction in potable urban water use. The Governor's Executive Order comes as water supplies continue to decline due to the severe drought gripping the state. The need for water conservation resources has intensified due to this circumstance.

Probable Need

It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and its analysis in conjunction with Southern California Associated Governments ("SCAG") projections provides a projected population of roughly 918,000 in 2045 for the current MUNI sphere of influence and roughly 310,000 for the current SB Valley WCD boundary. For the MUNI sphere, which includes the territory of the SB Valley WCD, the 2045 figure would be 80% larger than that of 1990 with an evident corresponding increase in population density.

The population projections identified above do not include the heavy daily business, commercial, education and industrial activities. Further, the transient traffic on Interstate 10 (one 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. All of this signals that the East Valley Region is densely populated, with heavy travel and that the need for water conservation resources will only intensify for the already impacted groundwater basins.

Over the next 25 years, the subject area population is expected to significantly increase. It is paramount that the agencies recognize the need to develop and promote programs that protect existing water resources for the region's sustainability and future growth. Conservation and the efficient use of water is the most cost-effective source of water supply reliability and are essential to meeting the region's current and future demand.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;

Surface Water Capture

The following agencies actively recharge the groundwater basins (not limited to stormwater/runoff) or account for recharge within the general East Valley. MUNI encompasses the whole of the agencies under LAFCO review and is the court-appointed watermaster for the San Bernardino Basin Area which includes the Bunker Hill Basin in San Bernardino County, which extends into Riverside County.

- Primary Agencies
 - San Bernardino Valley Municipal Water District
 - San Bernardino Valley Water Conservation District

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- San Bernardino County Flood Control District
- Secondary Agencies
 - Beaumont-Cherry Valley Water District
 - City of San Bernardino Municipal Water Department
 - East Valley Water District
 - West Valley Water District
 - Yucaipa Valley Water District

Numerous existing groundwater recharge facilities (spreading grounds or spreading basins) are located in the San Bernardino Basin Area, Rialto-Colton, and Yucaipa basins. The maps from the staff report for LAFCO 3173 illustrate the agencies that actively capture surface and storm water and the associated recharge sites in the East Valley. The maps on pages 14-17 identify the landowner of the recharge basins in the East Valley.

San Bernardino Basin Area

The Bunker Hill Basin and surrounding areas comprise the San Bernardino Basin Area. The Bunker Hill Basin is an adjudicated groundwater basin through a 1969 judgment in Western Municipal Water District v. East San Bernardino County Water District which appointed MUNI and Western Municipal Water District as Watermasters for the San Bernardino Basin Area. As Watermaster, MUNI is required to monitor and replenish the basin when surface diversions and groundwater extractions exceed the determined safe yield. Groundwater extraction and replenishment activities must be carefully balanced in the Bunker Hill Basin due to the unique hydrogeology of the basin. As its primary mission, SB Valley WCD is also responsible for replenishment of the Bunker Hill Basin which it accomplishes through a network of canals, diversion structures, and percolation basins.

MUNI and SB Valley WCD cooperatively monitor and report on surface and groundwater for the Bunker Hill Basin. SB Valley WCD provides the Daily Flow Report for surface water and annual Engineering Investigation Report for groundwater levels and change in storage as required by the Water Code Section 75601. According to MUNI, groundwater storage in the San Bernardino Basin Area is currently 650,000 acre-feet lower than it was in the base year, 1934. This new, historic low storage level is about 78,000 acre-feet lower than the previous, historic low storage level recorded in 1965.

San Bernardino Valley Municipal Water District

MUNI is responsible for long-range water supply management, including importing supplemental water, and is responsible for most of the groundwater basins within its boundaries and for groundwater extraction over the amount specified in the judgments. It has specific responsibilities for monitoring groundwater supplies in the San Bernardino and Colton-Rialto basins and maintaining flows at the Riverside Narrows on the Santa Ana River. It fulfills its responsibilities in a variety of ways, including importing water through the State Water Project ("SWP") for direct delivery and groundwater recharge and by coordinating water deliveries to retail agencies throughout its service area.

MUNI receives delivery of SWP water at the Devil Canyon Power Plant Afterbay, which is located just within its northern boundary. Water is conveyed 17 miles eastward to various spreading grounds, agricultural, and wholesale domestic delivery points in the San Bernardino Basin, which are shown in the figure below. Water is also conveyed westward for direct delivery and recharge in the Colton-Rialto basin.

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San Bernardino Valley Water Conservation District

SB Valley WCD and its predecessors have conducted groundwater recharge activities since 1912 or earlier in two areas that overlie the Bunker Hill groundwater basin in the San Bernardino Valley. These areas are at the upper end of the Santa Ana River wash area and on Mill Creek just upstream of the confluence with the Santa Ana River (collectively, the wash area). The SB Valley WCD diverts surface water flows during both storm and normal runoff from the Santa Ana River and Mill Creek and channels the flows into two separate systems of recharge basins. From there, it percolates into the groundwater basin for later pumping and use by local entities and private producers.

To accomplish the recharge, the District maintains 71 water percolation basins in the Mill Creek and Santa Ana River spreading grounds. The District also plans for, maintains or leases over 3,600 acres in the Santa Ana River Wash at and below the confluence of the Santa Ana River and Mill Creek. With water years 2013 and 2014 being dry years, the District recharged all water that was available; 7,946 acre feet of water successfully recharged into the groundwater basin for the water year ending September 30, 2013, and 8,153 acre feet for the water year ending September 30, 2014.

SB Valley WCD has two water right licenses that allow for up to 10,400 acre feet of Santa Ana River water to be diverted for groundwater recharge during certain periods during the year. SB Valley WCD also claims to hold certain quantities of pre-1914 water rights on the Santa Ana River and Mill Creek.

Agreement to Develop and Operate Enhanced Recharge Facilities

In 2012 an agreement to develop and operate enhanced recharge facilities was entered into by the SB Valley WCD, MUNI, and Western Municipal Water District (Riverside County entity which is a party to the adjudication). The purpose for the agreement is to allow for collaboration by increasing opportunities to recharge local surface water supplies, as well as State Project Water, in the San Bernardino Basin Area by reducing the time and cost required to permit and construct essential public infrastructure (such as spreading basins); and by working together to achieve an efficient division of labor in the operation and maintenance of water infrastructure.

The goal of the agreement is to harmonize their water resource activities with other uses of lands in the area, for the optimization of coordinated use by all. The other uses in the area include the mining of sand and gravel mineral deposits pursuant to existing leases, and habitat conservation and management, pursuant to a series of multi-agency cooperative initiatives (as yet unapproved) involving local, state, and federal resource management and control agencies. The parties agreed that they must increase groundwater storage in the basin in order to meet current and future demands for water among their constituents. The agreement term is for 25 years with optional renewals.

Upper Santa Ana River Habitat Conservation Plan (Wash Plan)

A key planning and management effort is the Upper Santa Ana River Habitat Conservation Plan (also known as the "Wash Plan"). Located at the confluence of the Santa Ana River and Mill Creek, the Wash Plan is generally bounded on south by the Santa Ana River, on the north and east by Greenspot Road, and continues west to Alabama Street. This plan is a long term environmental, infrastructure, and management approach to create a comprehensive program to manage the Wash Area. A map showing the Wash Plan sub-components is shown on page 21 of LAFCO 3173 staff report. The development of this plan continues to be difficult and requires the participation of a Task Force, made up of stakeholder communities and partners as well as resource agencies, U.S.

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Fish and Wildlife Service, the Bureau of Land Management ("BLM"), and the California Department of Fish and Wildlife. The Task Force intends to have an approved program by the end of calendar year 2015.

In 2012 and 2013 the SB Valley WCD was able to work with the U.S. Fish and Wildlife Service to refocus efforts and increase progress toward completion of the Wash Plan Habitat Conservation Plan. The plan supports a land exchange between SB Valley WCD and the BLM to improve water recharge thereby enhancing local supplies and continuing to supply the region aggregate for local construction projects. This plan will contribute significant environmental improvements to habitat for several endangered species including the San Bernardino Kangaroo Rat and the Santa Ana River Woolly Star plant in the wash. The plan also allows expanded water conservation facilities, mining, transportation and trails.

Education and Demonstration

San Bernardino Valley Municipal Water District

MUNI offers large water users (1,500 ccf per year, or higher) a financial incentive to invest in weather stations and weather based irrigation controllers, and has developed a brochure that offers a variety of water efficient plants that do well in the Southern California climate.

As a wholesaler, MUNI is not responsible for the demand reductions required by the Water Conservation Act of 2009 – SBX7-7 (10% demand reduction by 2015 and 20% by 2020) but is responsible for helping the retail agencies within its boundary achieve their water use reductions (Water Code §10608.36). MUNI's water use efficiency program is designed to help the retail agencies within its service area achieve their demand reductions.

San Bernardino Valley Water Conservation District

The District currently budgets very limited funding toward conservation education and outreach efforts. Instead, it focuses on water recharge efforts in cooperation with other agencies. SB Valley WCD also participates with the Inland Empire Resource Conservation District (IERCD) in its Elementary School Education efforts. By partnering with the IERCD the District can convey messages about conservation and its efforts to help while supporting the existing programs. This cost effective program shares staff and facilities, and achieves multiple goals at a low cost.

SB Valley WCD is the local sponsor (with the Basin Technical Advisory Committee, Conservation Subcommittee) to provide QWEL (Qualified Water Efficient Landscaper Board) training for landscapers. Instructors are drawn from local district conservation staff and IERCD staff. The District co-sponsored the cost of the training for participants from the service area. The training was held in cooperation with Chino Basin Water Conservation District at their facilities in December 2014. SB Valley WCD states that it works closely with agricultural and commercial groundwater producers to address conservation opportunities and is an active participant in the regional iEfficient program and helps fund the program.

4. The existence of any social or economic communities of interest in the area:

Within the study area are the following social communities of interest: all or portions of the Bunker Hill, Rialto-Colton, Riverside-Arlington, San Timoteo, and Yucaipa Groundwater Basins; the Cities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Highland, Grand Terrace, and Yucaipa; and unincorporated communities of Bloomington, Mentone, Muscoy, and Oak Glen.

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Economic communities of interest are vast and varied. To illustrate this point, the subject area includes heavy business, commercial, education, and industrial activities, as well as an international airport. Further, the transient and freight traffic on Interstate 10 (one 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. All of this signals that the area includes dense population and heavy travel.

5. OTHER FINDINGS

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

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by San Bernardino Valley Water Conservation District shall be limited to the following:

**San Bernardino Valley
Water Conservation
District**

Water Conservation

Appropriation, acquisition, and conservation of water and water rights for any useful purpose. Acquisition and construction of dams, reservoirs, canals, conduits, spreading basins, and sinking basin in order to conserve, store, spread and sink water.

Surveys of Water Supply
and Resources

Make surveys and investigation of the water supply and resources of the Water Conservation District.

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission for San Bernardino County, State of California, that this Commission shall consider the territory described in Exhibit "A" as being within the sphere of influence of San Bernardino Valley Water Conservation District, it being fully understood that amendment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission for San Bernardino County, State of California, does hereby determine that San Bernardino Valley Water Conservation District shall indemnify, defend, and hold harmless the Local Agency Formation Commission for San Bernardino County from any legal expense, legal action, or judgment arising out of the Commission's approval of this sphere establishment, including any reimbursement of legal fees and costs incurred by the Commission.

RESOLUTION NO. 3204

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

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

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

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission for San Bernardino County, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of October 21, 2015.

DATED:

KATHLEEN ROLLINGS-McDONALD
Executive Officer

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: OCTOBER 14, 2015
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

**SUBJECT: ITEM #7 – PRESENTATION OF THE PRELIMINARY FEASIBILITY
STUDY FOR RIM OF THE WORLD INCORPORATION**

BACKGROUND:

At the July 15, 2014 hearing, LAFCO agreed to a contract with the Second Supervisorial District to prepare a preliminary feasibility study for incorporation of the area generally defined by the Rim of the World Unified School District (USD) boundary. LAFCO staff in turn contracted with the firm of Rosenow Spevacek Group (RSG) to prepare an Incorporation Feasibility Analysis (IFA) that addressed state law and also addressed the specific policies that San Bernardino LAFCO has adopted. In preparing the IFA, RSG responded to questions of LAFCO staff, not a community group or other interested parties. This was intended to provide an unbiased view of whether incorporation could be feasible for the overall area and to provide the guideposts for further discussion in the community on development of an incorporation effort. Since LAFCO is the review body for any future such incorporation effort, the IFA prepared at LAFCO's request does not make a final feasibility determination or recommendation but provides the framework to develop such an effort armed with the information on potential costs and revenue sources.

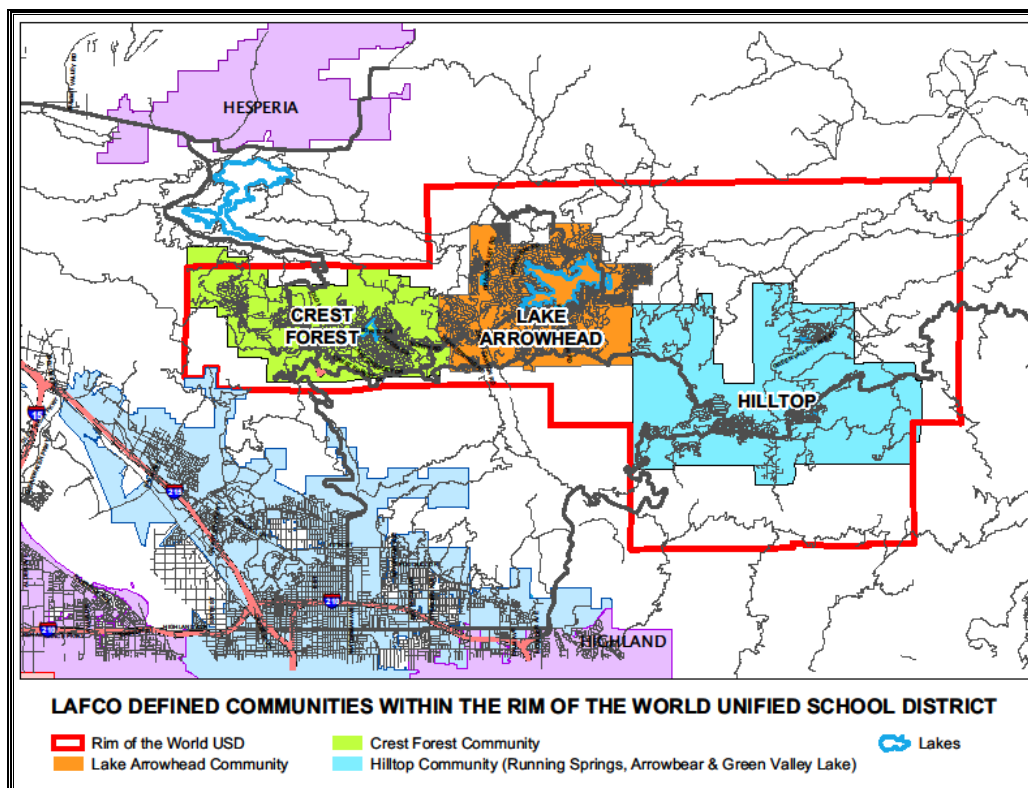
LAFCO staff also requested that an alternative excluding the LAFCO defined Hilltop community (Running Springs, Arrowbear, Green Valley Lake) be provided as a separate report. The IFA attached to this memorandum provides the financial information for these two options using the City of Big Bear Lake as a comparable local agency (an important aspect of Commission policies).

Attachments to this report provide maps for review of the area of consideration, the IFA prepared by RSG, and the Comprehensive Fiscal Analysis (CFA) prepared for the proposed City of Olympic Valley in Placer County. Staff is providing this CFA to show what would be required in the LAFCO-prepared document as well as providing some additional information on the development of revenues and expenditures for a mountain-type resort community.

The following assumptions went into the preparation of the IFA for Rim of the World.

Assumption 1 – Boundaries

As outlined above, the request from the Second District was to utilize the boundary of the Rim of the World School District for incorporation. This boundary includes vast areas of National Forest which house a limited number of structures with infrastructure and an even more limited population. LAFCO staff modified this request to address the LAFCO-defined communities of Crest Forest, Lake Arrowhead, and Hilltop which comprise the populated, service driven areas associated with Rim of the World and excludes the larger consolidated publicly-owned lands. This is significant in the scenario of service delivery, most importantly for law enforcement and road maintenance, due to the limited revenues available and the potentially significant cost and liability. One area has been added to the Rim of the World USD in the northwestern area to include the entirety of Crestline Sanitation District and its sphere of influence for service delivery. Both boundaries are shown below, but only the defined communities are reflected in the report:



This same philosophy of utilizing the community definition as the boundary for a new city was utilized in the incorporation of the City of Big Bear Lake more than 30 years ago.

Assumption 2 – Population

The Commission has adopted policies that specify that an incorporation must contain a minimum of 10,000 persons based upon the available census data. The estimated population provided by LAFCO staff for all three areas are identified as follows:

Rim of the World Incorporation Total Population (U.S. Census) per Community			
Community	Population	Acreage	Parcel Count
Crest Forest	12,315	9,456	13,853
Hilltop	6,486	16,058	8,181
Lake Arrowhead	<u>12,244</u>	<u>9,196</u>	<u>18,640</u>
Total Population	31,045	34,710	40,674
<i>Footnote: Population data based on 2010 US Census – Block Group</i>			

The inclusion of the three communities clearly meets the Commission policy requirement.

In addition, the alternative, which excludes the Hilltop community from the feasibility study, would also meet the policy direction as shown below:

Rim of the World Incorporation Total Population (U.S. Census) per Community		
Community	Population	Parcel Count
Crest Forest	12,315	13,853
Lake Arrowhead	<u>12,244</u>	<u>18,640</u>
Total Population	24,559	32,493
<i>Footnote: Population data based on 2010 US Census – Block Group</i>		

However, it is important to point out that the RSG calculation in the IFA utilized their own evaluation of population using the ESRI Business Analyst software. This provides for an estimated population in the overall area of 29,000 as full-time residents noting the strong presence of second homes/vacation homes throughout the area. It is LAFCO staff's position that the difference in population of 2,046 residents is not significant to the overall determinations and still meets the policy directives adopted by the Commission.

Assumption 3 – Inclusion of Special Districts

LAFCO's adopted policy related to an incorporation is that all special districts within the area of consideration are to be addressed. The language of this policy is:

“The Commission requires that a new city shall assume jurisdiction over all community-based special districts serving the incorporation area. A clear and compelling rationale must be provided if the continued overlay of a community-based district is proposed.”

Based upon this directive the preliminary study has included all special districts, independent and board-governed, with the exception of the San Bernardino Mountains Community Healthcare District. Staff directed RSG to exclude this special district on the basis of past concern with a municipality being responsible for a healthcare operation. Case in point are the Cities of Needles and Barstow.

The balance of the agencies have been included in the preliminary feasibility study but without adjustment to expenditures to address staffing changes, i.e. reduction in number of general managers, reduction in separate legal counsels, board costs, or county management charges for operations of board-governed agencies.

The listing of special districts which follows outlines those included in the IFA along with the function(s) which they are authorized to perform and the action which would be a part of an incorporation proposal under the Commission's policies. The chart identifies that the agency could be dissolved (which means a dissolution of the agency and transfer of responsibility to the new city), detached (which means a portion of its territory would be removed and transferred to the new city but the agency would remain to serve other areas) or unaffected (no change, it retain its boundaries, service obligations, etc.)

It is important to note that the revenues of “enterprise districts” which are generally water, wastewater and electric utility agencies are restricted in use to only those functions for which the rates are charged. What does that mean? It means that the revenues, expenditures, obligations, and reserves of the Lake Arrowhead CSD, Crestline Village Water District, Crestline Sanitation District, Crestline-Lake Arrowhead Water Agency, County Service Area 79 and the water and sewer functions of the Running Springs Water District and Arrowbear Park Water District must be isolated and protected should any incorporation effort be contemplated.

Name	Function(s)	Plan for Services Options for Change	
		Option A – Rim of the World Total	Option B – Excluding Hilltop
CSA 18*	Road Maintenance & Snow Removal (17.5 miles); Park and Recreation	Dissolved	Dissolved
CSA 54	Streetlighting	Detached	Detached
CSA 59	Road Maintenance & Snow Removal (5.0 miles)	Dissolved	Dissolved
CSA 68	Road Maintenance & Snow Removal (4.0 miles)	Dissolved	Dissolved
CSA 69	Road Maintenance & Snow Removal (5.0 miles)	Dissolved	Dissolved
CSA 70 R-13*	Road Maintenance & Snow Removal (1.5 miles)	Dissolved	Dissolved
CSA 70 R-16	Road Maintenance & Snow Removal (1.0 mile)	Dissolved	Unaffected
CSA 70 R-2*	Road Maintenance & Snow Removal (1.5 miles)	Dissolved	Dissolved
CSA 70 R-22*	Road Maintenance & Snow Removal (2.0 miles)	Dissolved	Dissolved
CSA 70 R-23*	Road Maintenance & Snow Removal (1.0 mile)	Dissolved	Dissolved
CSA 70 R-35	Road Maintenance & Snow Removal (0.1 mile)	Dissolved	Dissolved
CSA 70 R-4	Road Maintenance & Snow Removal (0.2 miles)	Dissolved	Dissolved
CSA 70 R-40*	Road Maintenance & Snow Removal (0.5 miles)	Dissolved	Dissolved
CSA 70 R-44*	Road Maintenance & Snow Removal (1.3 miles)	Dissolved	Dissolved
CSA 70 R-46*	Road Maintenance & Snow Removal (0.7 miles)	Dissolved	Dissolved
CSA 70 R-7*	Road Maintenance & Snow Removal (0.2 miles)	Dissolved	Dissolved
CSA 70 R-9	Road Maintenance & Snow Removal (1.0 mile)	Dissolved	Dissolved
CSA 70 Zone CG	Water; Roads	Dissolved	Dissolved
CSA 70 Zone D-1	Dam Maintenance (New Lake Arrowhead Dam); Park Services	Dissolved	Dissolved
CSA 79	Wastewater collection	Dissolved	Unaffected
CSA 79 R-1	Road Maintenance & Snow Removal (0.8 miles)	Dissolved	Unaffected
Arrowbear Park CWD	Water - wholesale & retail/domestic; Wastewater collection; Fire protection and emergency medical response, Refuse Collection	Dissolved	Unaffected
Crestline Lake Arrowhead Water Agency	Water - wholesale (State Water Project contractor) & retail	Dissolved	Unaffected
Crestline Sanitation District	Wastewater collection and treatment	Dissolved	Dissolved
Crestline Village Water District	Water - retail/domestic	Dissolved	Dissolved
Lake Arrowhead CSD	Water - retail/domestic; Wastewater collection and treatment	Dissolved	Dissolved
Rim of the World P&R	Park & Recreation	Dissolved	Detached
Running Springs WD	Water - wholesale & retail/domestic; Wastewater collection and treatment; Fire protection and emergency medical response; ambulance	Dissolved	Unaffected
SB County Fire Protection District	Fire Administration	Detached	Detached
SBCFPD Mountain Service Zone	Fire protection and emergency medical response; ambulance	Detached	Detached
SBCFPD Service Zone PM-4	Crest Forest special tax for paramedics	Dissolved	Dissolved
SBCFPD Service Zone PM-1	Lake Arrowhead special tax zone for paramedics	Dissolved	Dissolved

RSG has identified that determining staffing levels and levels of service would be a discussion for an incorporation group to decide and therefore has made limited adjustments in expenses in its analysis. Only the water and sanitation functions would continue as separate enterprise activities should a city be formed. The assumption of service memorandum provided by RSG identifies a 15% reduction in administrative costs for these agencies. However, staff would point out that the consolidation of operation would provide for reduction in the number of staff positions. As an example, the current expense for the top management positions of the independent special districts taken from the State Controller's database are shown below:

Wages, Retirement, and Health Costs for General Managers during Calendar Year 2013

AGENCY	TOTAL WAGES	TOTAL RETIREMENT & HEALTH COST	TOTAL
Crestline Lake Arrowhead Water Agency	\$ 200,517	\$ 51,522	\$ 252,039
Crestline Village Water District	120,717	60,878	181,595
Crestline Sanitation District	168,456	42,685	211,141
Lake Arrowhead Community Services District (2012)	189,758	28,377	218,135
Running Springs Water District	147,535	60,835	208,370
Arrowbear Park County Water District (2012)	86,746	14,271	101,017
Rim of the World Recreation and Park District	82,001	4,311	86,312
Running Springs Water District (Fire Chief)	153,084	78,158	231,242
TOTAL	\$ 1,148,814	\$ 341,037	\$ 1,489,851

source: California State Controller's Office, Government Compensation in California Website, Accessed 8-17-2015

While it is the position of the consultant for the IFA not to make assumptions about future staffing changes through an incorporation, LAFCO staff believes that there are generalizations which can be made for consideration in this area. Such as, there would need to only be a single water manager, wastewater manager, fire chief and manager of the park function for the consolidated area. Through assimilation of these districts into a single city structure, the costs for these independent managerial positions can be reduced and the board-governed district administrative charges could be eliminated. Picking from only the ranges outlined above, the management expense could be reduced to \$780,734 to cover the operations to be assumed (CLAWA Manager, Crestline Sanitation General Manager, Rim of the World Park GM and the Fire Chief from Running Springs), a savings of almost \$710,000.

The RSG projection also does not take into account the economies of scale to address legal counsel needs (elimination of seven legal counsel contracts to a single City Attorney, removal of individual board expenses, consolidation of purchasing, testing, insurance, etc.) as these expenses are not easily discerned from audit materials. These are the elements that a future incorporation committee made up of a broad cross-section of the community would look at to further refine the IFA for an actual proposal.

Assumption 5 – Commission determination of feasibility:

San Bernardino LAFCO has adopted specific policies related to how it will determine "financial feasibility". They are outlined in the Commission's Policy and Procedure Manual, but a synopsis is provided below:

- a. "Financial Feasibility" means the ability to maintain pre-incorporation service levels with sufficient resources to provide a municipal level law enforcement.

The IFA has utilized the City of Big Bear Lake contract with the County Sheriff as the means to project law enforcement costs based upon population. The City of Big Bear Lake has one of the lowest ratios of sheriff personnel to population in the County. Staff believes that the use of this contract as the basis for projecting its financial feasibility meets the criteria of the policy.

- b. In determining feasibility only those revenues available to a general law city will be considered. No new taxes or hypothetical revenues will be considered in making this determination.

The revenues in the study include only those currently assessed including shares of the general ad valorem taxes from the County or Special Districts, transient occupancy taxes, or special taxes. No new taxes are contemplated. However, revenues for the transient occupancy tax (TOT), currently administered by the County and set at 7%, could increase by at least 50%, or an additional \$412,235, should a new city take steps to provide for a mechanism to track new bed and breakfast, Airbnb operations, or other short-term rental operations to assure that the appropriate tax is recouped and/or a means to provide for an audit of current payables.

In addition, RSG has prepared a calculation of the property tax transfer as required by Government Code Section 56810. This calculation identifies that a new City for Rim of the World would receive 2.567% of the general fund property tax allocation, the lowest of cities incorporated under the post-Prop 13 era in San Bernardino County. Should an incorporation effort be undertaken, this would be an area that should be carefully reviewed and negotiated with the County.

- c. In determining feasibility salary costs shall be based upon an average of similar-sized cities within San Bernardino and Riverside Counties.

The assumptions in the IFA have used the City of Big Bear Lake, a comparable sized city, as well as one with the unique service requirements for delivering service within a mountain community.

- d. A reasonable reserve shall be projected as equal to 10% of the general and special funds of the city.

The preliminary feasibility report has identified a 10% contingency for each year in the forecast as well as a 25% reserve of the City's proposed total expenditures.

One aspect not currently addressed by the Commission's policies relates to the determination of "revenue neutrality" as required by Government Code Section 56815. Page 16 of the modeling identifies RSG's calculation of this payment as "zero" based upon their experience in applying these provisions in other areas throughout the State. The cost factors utilized in this calculation are the same as those provided by the County in order to prepare the anticipated property tax transfer calculation required by Government Code Section 56810. This means that there will be a net financial gain to the County through the

transfer of general fund supported activities to a new City which may be taken into consideration when determining the property tax allocation process outlined above.

Finally, there are questions which would still need to be answered for an incorporation, which LAFCO staff nor RSG can answer at this time:

1. What happens to the Cedar Glen redevelopment project area which would be included in the Lake Arrowhead area? To date, San Bernardino LAFCO has not had to address the transfer of such an operation nor does the law which eliminated redevelopment agencies addressed consolidations or jurisdictional changes.
2. Public funded retirement systems would need to be addressed as well as the mechanism to consolidate CALPers and SBCERA contributions.
3. What would be the effect upon the County Special Districts Department through the elimination of the road districts, park districts, dam operations within this area, if any? What would be the equipment and equipment replacement reserve transfer do to the long-term sustainability of that agency?

CONCLUSION:

As noted in the RSG assumptions summary memo, the information presented is to provide a preliminary service model and benchmark to allow the community to decide if it wishes to look into incorporation further. In the last 30 years there have been three attempts to look at incorporation for the Lake Arrowhead area, but none have made it past the petition stage for political not financial reasons. The Incorporation Feasibility Analysis, in the LAFCO staff view, identifies that incorporation may be possible depending on the service shifts and the level of service and operations the proponents would propose.

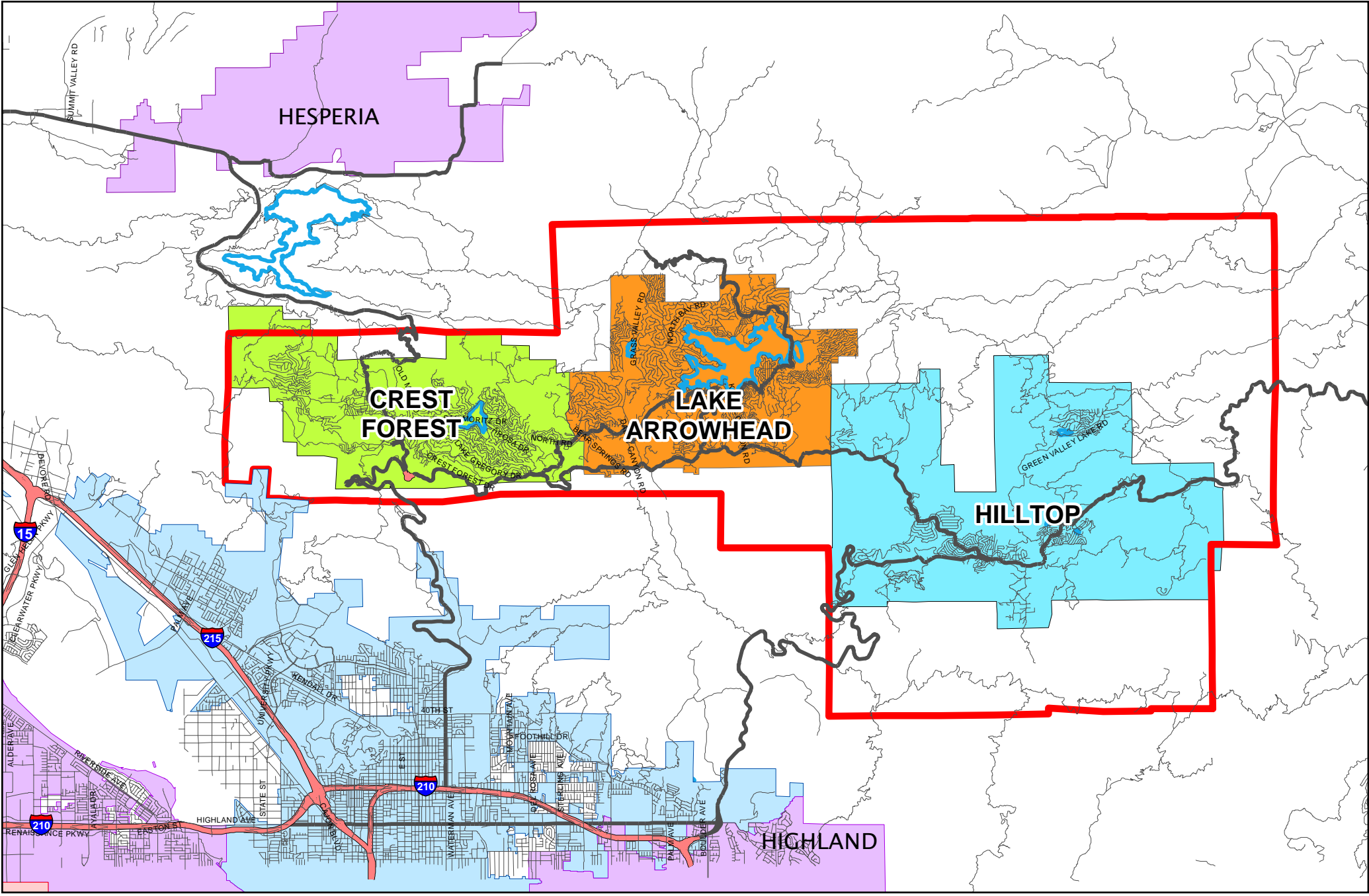
KRM

Attachment






1. Maps
 - a. Rim of the World USD and Community Definition
 - b. Retail Water Providers
 - c. Retail Wastewater collection and treatment
 - d. Fire Protection Emergency Medical Response Providers
2. Preliminary Feasibility Report dated September 23, 2015
3. Comprehensive Fiscal Analysis for Olympic Valley

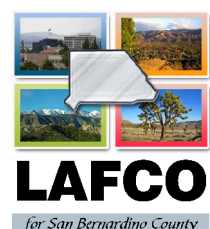
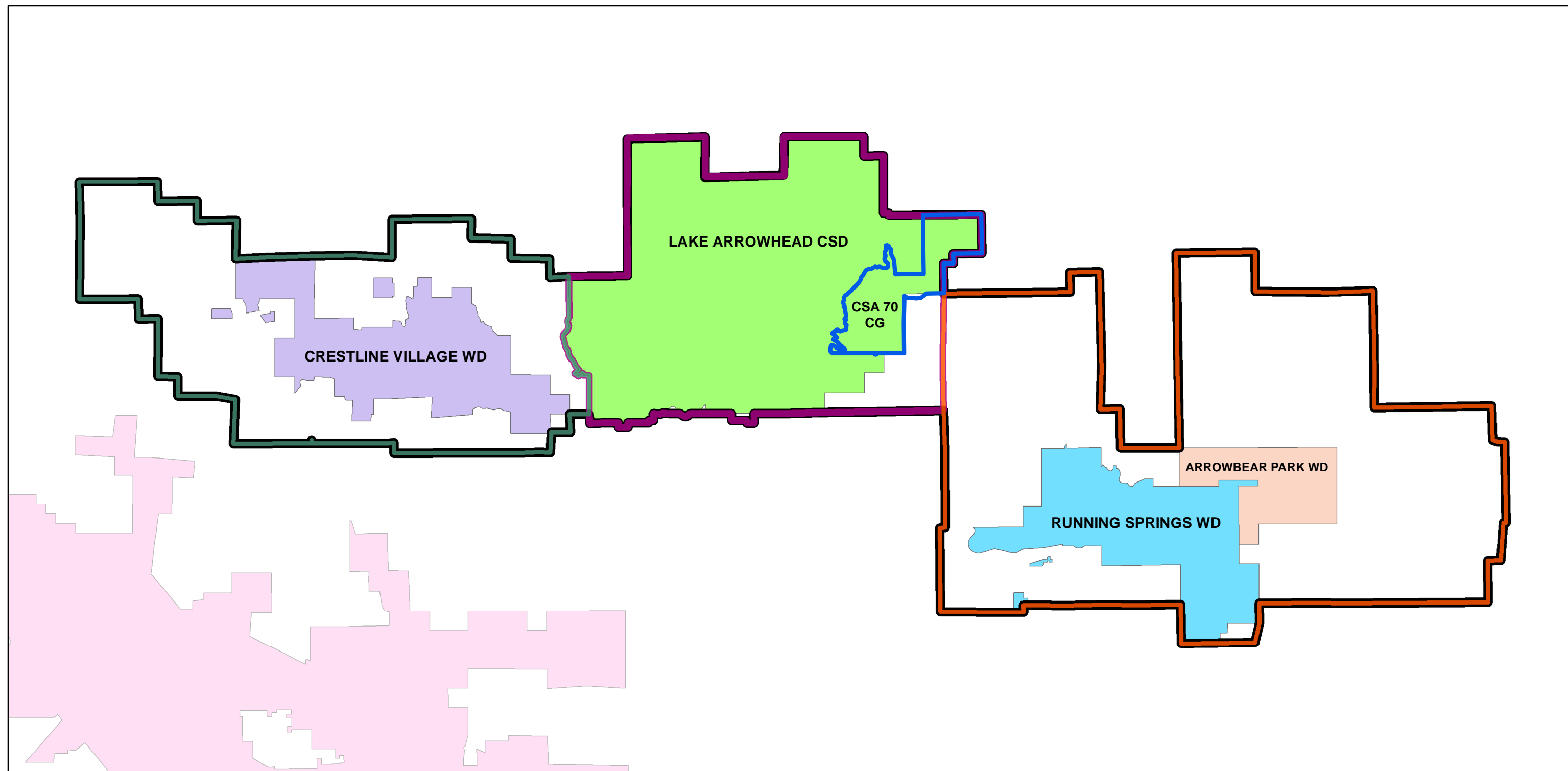
Maps

- * Rim of the World USD and
Community Definition**
- * Retail Water Providers**
- * Retail Wastewater Collection and
Treatment Providers**
- * Fire Protection Emergency
Medical Response Providers**



LAFCO DEFINED COMMUNITIES WITHIN THE RIM OF THE WORLD UNIFIED SCHOOL DISTRICT

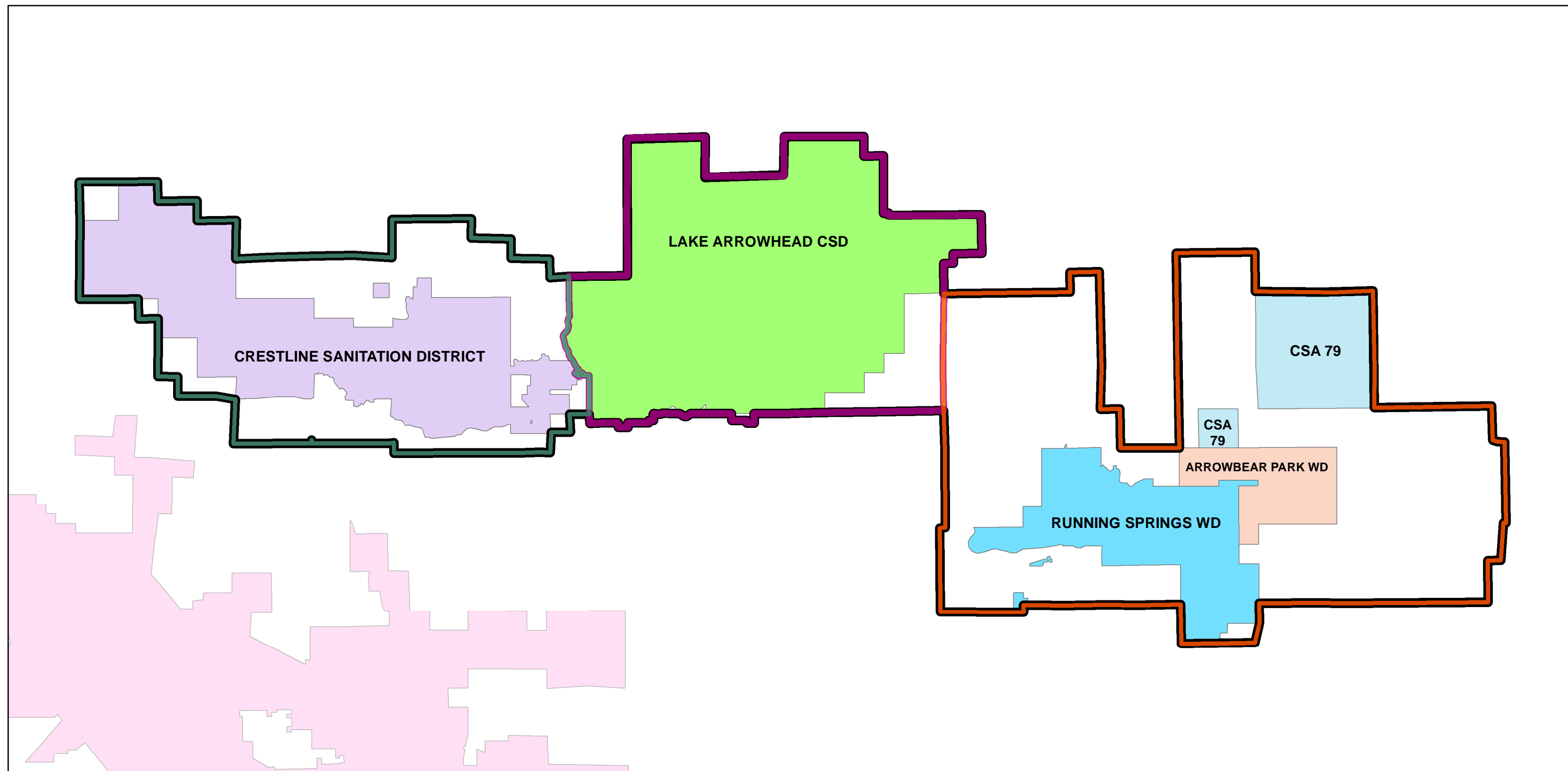
-  Rim of the World USD
-  Crest Forest Community
-  Lake Arrowhead Community
-  Hilltop Community (Running Springs, Arrowbear & Green Valley Lake)
-  Lakes



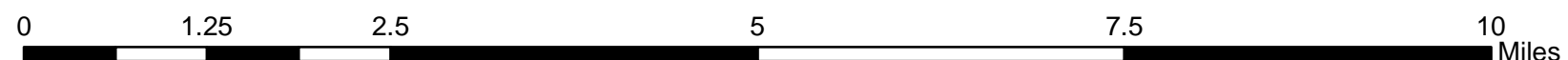
Proposed Rim of the World Incorporation Water Service Providers







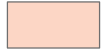


0 1.25 2.5 5 7.5 10 Miles

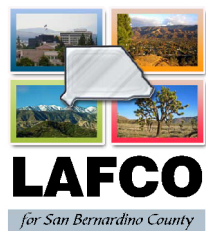
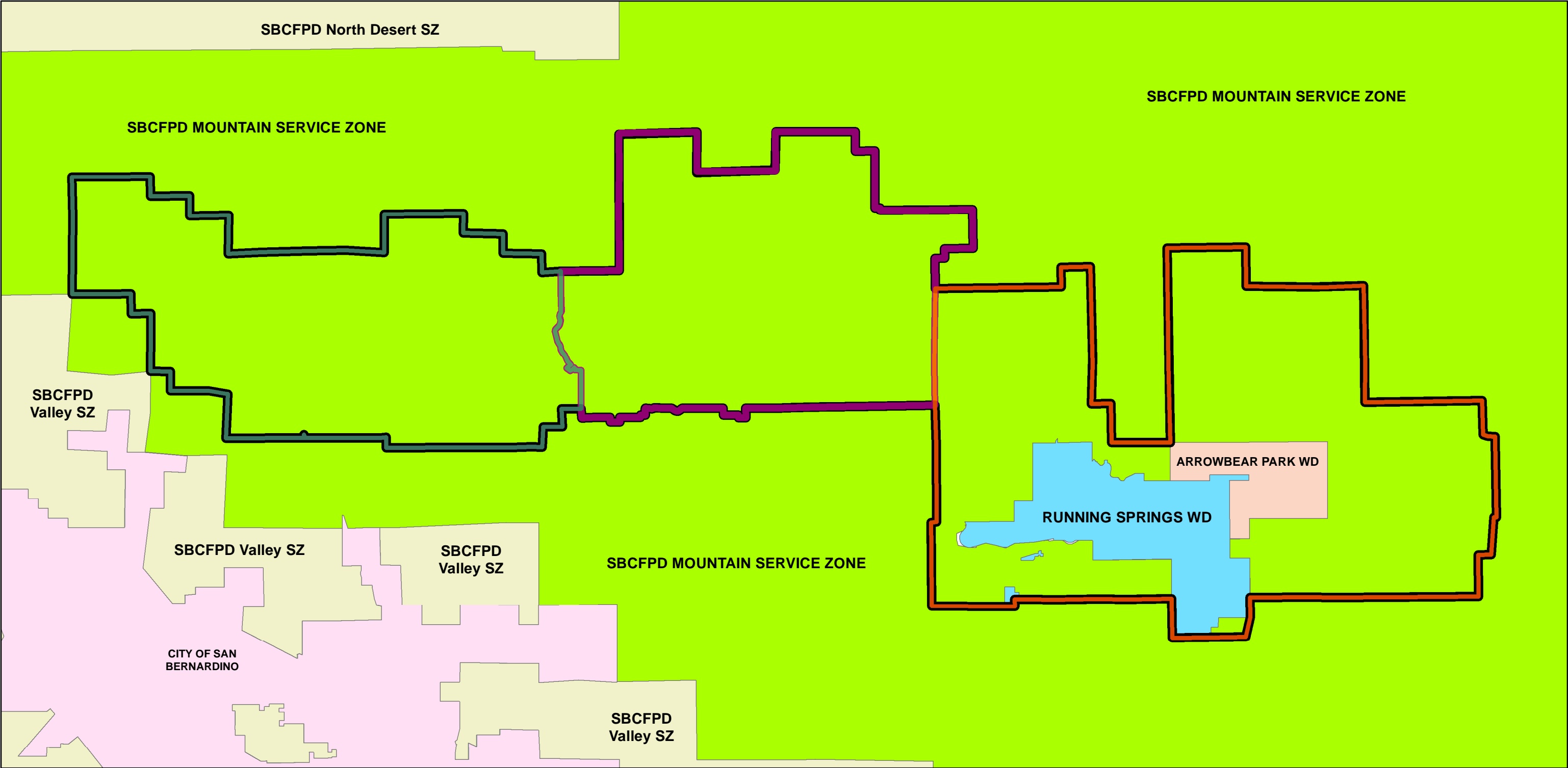
- Lake Arrowhead CSD
- Crestline Village WD
- Running Springs WD
- Arrowbear Park WD
- CSA 70 CG (Cedar Glen)
- Crest Forest Community
- Lake Arrowhead Community
- Hilltop Community
- Proposed Incorporation Boundary



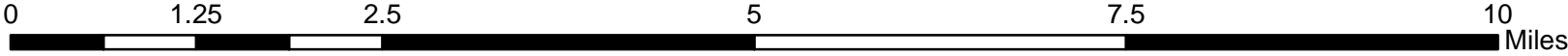
Proposed Rim of the World Incorporation Wastewater Service Providers



- | | | | |
|---|-------------------------------|---|---------------------------------|
|  | Lake Arrowhead CSD |  | Crest Forest Community |
|  | Crestline Sanitation District |  | Lake Arrowhead Community |
|  | Running Springs WD |  | Hilltop Community |
|  | Arrowbear Park WD |  | Proposed Incorporation Boundary |
|  | CSA 79 | | |



Proposed Rim of the World Incorporation Fire Service Providers



- SBCFPD Mountain Service Zone
- Running Springs WD
- Arrowbear Park WD
- SBCFPD Valley/ND Zones
- City of San Bernardino
- Crest Forest Community
- Hilltop Community
- Lake Arrowhead Community
- Proposed Incorporation Boundary

**Preliminary Feasibility Report
Dated September 23, 2015**

Attachment 2



RSG

BETTER COMMUNITIES. BOLDER FUTURES.

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DATE: September 23, 2015

Via Electronic Mail

TO: Kathleen Rollings-McDonald, Executive Officer
Samuel Martinez, Assistant Executive Officer
SAN BERNARDINO COUNTY LAFCO

FROM: Jim Simon, Principal
Alexa Smittle, Principal
Jane Carlson, Associate
Michael Dietz, Research Assistant

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SEP 24 2015
LAFCO
San Bernardino County

SUBJECT: ASSUMPTIONS SUMMARY
INCORPORATION FEASIBILITY ANALYSIS

Rosenow Spevacek Group, Inc. ("RSG") drafted an Incorporation Feasibility Analysis ("IFA") to determine the preliminary feasibility of a potential new city in San Bernardino County. RSG prepared the IFA to assist the San Bernardino Local Agency Formation Commission ("LAFCO") in determining whether or not further investigation into a proposed City of Rim of the World ("City" and "Rim of the World") is warranted. This IFA reviews potential impacts upon Rim of the World, as well as related agencies, such as the County of San Bernardino ("County") and other agencies presently providing services to the area. An IFA is an initial assessment of the potential service model for a new city, and the revenues and expenditures that the new city may incur. It is not a comprehensive feasibility analysis, nor a thorough investigation into service delivery options. The information provided in this IFA is intended to act as a guidepost for further discussions, and should not be considered conclusive findings of feasibility.

Rim of the World is located in the San Bernardino Mountains, off of Highway 18 between San Bernardino and Big Bear Lake. The proposed City would be comprised of several existing communities, including Arrowbear Park, Blue Jay, Cedar Glen, Crestline, Green Valley Lake, Lake Arrowhead, Running Springs, Sky Forest, and Twin Peaks. A second incorporation scenario was also developed, which excluded the communities of Arrowbear Park, Green Valley Lake, and Running Springs, collectively known as the "Hilltop". In total, approximately 29,000 people are full-time residents, though a number of second homes/vacation homes are also located in the area. Lake Arrowhead is the largest of the existing communities, and most commercial development is located there.

This remainder of this memorandum summarizes the primary methodology used and assumptions made in the IFA.

FISCAL HEALTH
ECONOMIC DEVELOPMENT
REAL ESTATE, HOUSING
AND HEALTHY COMMUNITIES

SOURCES & ASSUMPTIONS

Due to the nature and scope of an IFA, as well as the limited data of some sources, RSG made certain assumptions and estimates based on comparable cities, staff experience, and general best practices. These assumptions are described in this memorandum. While RSG has made every effort to accurately ascertain service demands, costs, and any resulting revenues, a number of factors cannot be predicted, including details of the incorporation beyond the scope of this IFA, decisions that may be made by a future City Council, regional or national economic trends, changes to state or federal law, and natural disasters.

RSG reviewed a number of data sources to ensure all numbers were as accurate as possible. These sources include, but are not limited to, the following:

- San Bernardino County;
- San Bernardino County LAFCO;
- CoreLogic's MetroScan Database;
- ESRI Business Analyst;
- Bureau of Labor Statistics;
- City of Big Bear Adopted Budgets; and
- Audits and/or budgets of various county service areas and special districts.

RSG's forecast begins at the start of fiscal year 2017-18, but does not include the necessary adjustments for a transition year, given the uncertainty of when, if at all, incorporation would occur.

Service Districts

The Rim of the World is currently served by a large number of County Service Areas ("CSAs") and special districts, and this IFA generally assumes that the proposed City will take over the various services they provide. Most CSAs are related to road maintenance, and the majority of these are proposed to dissolve as a result of incorporation, with their services and property tax shares to be assumed by the City. The same is true for the Rim of the World Recreation and Park District, and CSA 70 for dam maintenance. Water and sanitation districts include Crestline Lake Arrowhead Water Agency, the Lake Arrowhead Community Services District, Running Springs Water District, Arrowbear Park County Water District, Crestline Village Water District, and Crestline Sanitation District. These districts are assumed to dissolve or be unaffected depending on if the Hilltop is included in the incorporation area. If dissolved, responsibilities and revenues attributable to the districts would transfer to the the proposed City. However, it is important to note that many of the revenues associated with these districts, particularly water and sewer districts, are restricted to the purpose for which they are collected. When dissolved, the districts would become enterprise funds within the proposed City, and would not contribute to the General Fund.

In the primary incorporation scenario including the Hilltop area, fire services provided by Arrowbear Park County Water District and Running Springs Water District will be assumed by the City. These two districts are located within the Hilltop area, so in the second incorporation scenario excluding Hilltop these districts would remain unaffected. In either scenario, the incorporated area served by the County Fire Protection District Mountain Service Zone would be detached, with associated revenues and services transferring to the City, including ambulance and paramedic service. LAFCo is in the process of dissolving the Crest Forest Fire Protection

District with responsibilities and revenues transferring to the County Fire Protection District Mountain Service Zone. As such, RSG incorporated the Crest Forest Fire Protection District service costs and revenues into the analysis. Please note that in some cases, certain districts have additional powers; however, extrapolating expenditure and revenue data by service type was not easily discerned from district budgets, and as such, were left whole. The San Bernardino Mountains Community Hospital District was assumed to remain unchanged.

Assessed Value Forecast

The findings presented in this analysis assume a 2.0% growth rate in secured assessed value per year and a 0.0% annual growth rate in unsecured assessed value. This is a conservative growth rate so as to not risk overstating property tax revenues. A portion of the Lake Arrowhead community is within the County's Cedar Glen Redevelopment Project Area. Tax increment generated in this Project Area would be allocated to the San Bernardino County Redevelopment Property Tax Trust Fund ("RPTTF") and disseminated to taxing agencies after certain redevelopment debts are paid. Based on a high-level review of tax increment and debt obligations of the County Successor Agency, an adjustment was made to the assessed value forecast to incorporate property tax shifts into the RPTTF. The forecast additionally incorporates assessed value resulting from new home construction, which is estimated based upon median home sales data, anticipated population growth, and average persons per household. For the purposes of this IFA, the analysis assumes that all new construction will occur in Lake Arrowhead; RSG acknowledges that growth will occur in other communities, but anticipates most of the growth in the proposed City is likely to occur in Lake Arrowhead, so this growth is unchanged between the two scenarios.

Population Forecast

RSG examined multiple sources of population growth data to determine a reasonable growth rate to adopt for this analysis. The US Census actually indicates a slightly negative growth rate (-.83%) from 2000 to 2010. However, RSG believes this decrease in population is likely due, in part, to the 2003 fire that destroyed a significant number of homes in the area, as well the Great Recession, which could have encouraged residents to relocate for jobs in more urbanized areas. ESRI Business Analyst estimated growth between 2010 and 2014 to be at 1.25%, and projected that growth from 2015 to 2019 will occur at a 2.48% growth rate. In light of the varying data existing for this area, RSG determined that a 1.0% population growth rate was both conservative and realistic for this analysis. ESRI Business Analyst was also used to calculate the 2014-15 population of 29,198.

Staffing Structure and Personnel Costs

This analysis was completed by adopting the City of Big Bear Lake's staffing structure and salary schedule as a skeleton model for Rim of the World, and then modifying it to adapt to its own unique circumstances. These changes were determined based upon RSG's experience with municipal governments, and guidance from LAFCo staff.

Starting Values

Following incorporation, the new City would have an initial transition year, wherein certain services and revenues would be shared between the County and City. As this transition year is difficult to predict at this time, this projection begins by assuming a \$0 cash balance for the first full year of General Fund operation, 2017-18. The same is true for the City's Road Fund. Following the dissolution and detachment of a number of CSAs and Special Districts, the City

would “inherit” some unencumbered cash amounts. For the purposes of this IFA, existing unencumbered cash amounts are assumed to remain static until FY 2017-18, when they are infused into the cash flow.

REVENUES

Property Taxes

Property taxes for the Rim of the World were determined utilizing a computation to establish an Auditor's Ratio, which helps to model a likely property tax share for the proposed City. This share is estimated at 2.66% (2.39% without Hilltop). One percent of the assessed value each year is collected by the County Tax Collector, and distributed to taxing agencies pursuant to their property tax share. Ultimately, the City's percent share could change, pending the dissolution of various CSAs and Special Districts if their shares are transferred to the City, as discussed later. For this IFA, property taxes associated with CSAs and special districts were kept separate. Property tax revenues shown are net of a 1.0% fee to account for County Auditor Controller charges for service.

Sales Taxes

Sales tax revenue was based on historical quarterly data provided by the County, which was then assumed to grow with the Consumer Price Index (“CPI”) each year. CPI was defined as the average annual change in CPI between December 2004 and December 2014 (2.13%), according to the Bureau of Labor Statistics. RSG assumed that the Economic Recovery Bonds that require the “Triple-Flip” sales tax split will be retired by the time of incorporation, pursuant to estimates from California Department of Finance. The new City would therefore receive a full 1% of the general sales tax levy.

An analysis was also executed to estimate unallocated taxable sales revenue using state-wide and county-wide taxable sales data from the State Board of Equalization to determine a proportionate share to be allocated to the proposed City.

Property Transfer Taxes

RSG used CoreLogic's MetroScan database to obtain property sales data for the fiscal year 2013-14. Supplementary housing stock information was derived from an ESRI Business Analyst estimate. RSG then projected housing turnover based upon an average turnover rate, which RSG set at 5.0% based upon industry experience and best practices. Sales value appreciation rates were determined based on data from the California Association of Realtors, which was then scaled back in future years to account for market variability and unpredictability.

Transient Occupancy Taxes (“TOT”)

This analysis relies on data provided by San Bernardino County LAFCO, and assumes that existing TOT collections will grow equivalent to the CPI.

Other Revenues

Other revenues, including the Off-Highway Vehicle License Subvention, Franchise Fees, Fines & Forfeitures, and Gas Tax revenues, were calculated in a variety of ways. The Off-Highway Vehicle License subvention is a per capita estimate drawn from the County's apportionment. The per capita rate was kept static in the model based on conversations with State staff, but revenues are still increased when the population of the City grows, allowing for very small

increases throughout the IFA's forecast. Franchise Fee data was provided by the County, translated into a per capita figure, and grows only with increases in population. Fines and Forfeitures were estimated by using the 2014-15 value from the City of Big Bear Lake's operating budget, as this was determined to be the most comparable city, and calculating a proportional equivalent for Rim of the World, which was then inflated by CPI every year. Proportional equivalents based upon Big Bear Lake's revenues were also applied to calculate most of the revenues derived from the Highway Users Tax and gas tax subventions that accrue to the Road Fund. The exception would be the snow removal reimbursement portion of Sec. 2107, for which Rim of the World's subvention is assumed to be the same as Big Bear Lake's, as snowfall is more closely based upon geography, rather than population. Lastly, fixed revenues from Sec. 2107.5 were derived from population, per the California Highway User's Tax.

EXPENDITURES

City Council

City Council stipends were based upon the City of Big Bear Lake's stipends for the fiscal year 2014-15, and are assumed to remain static. Office expenses and travel expenses were also drawn from the City of Big Bear Lake's budget, but were inflated at CPI.

City Administration

City Administration includes a city manager, city clerk, an operations officer, a permit-license specialist, and an administrative clerk, similar to the City of Big Bear Lake¹. The salaries and benefits ratios of Big Bear Lake employees are utilized, and inflated at the aforementioned salary growth rate of 3.0% per year. Notices, Office Expenses, and Travel and Memberships are separate costs, but are drawn from the City of Big Bear Lake's comparable government. Capital Outlay is assumed to cost \$1,000 per employee in the first year, and \$250 per employee in following years, largely for computer equipment. Codification is assumed to be \$10,000 start up cost, with maintenance and updating cost of \$2,500 per year after the first year. Elections are estimated to cost \$2.50 per person, every other year. These assumptions are made based upon RSG's experience in other communities.

City Attorney

This cost is based on what the City of Big Bear Lake is currently paying for their City Attorney contract. It was then inflated at an annual contract increase of 3.0%, which is the typical annual salary increase for the City of Big Bear Lake, according to their Memorandum of Understanding.

Human Resources

This analysis takes the salaries and benefits ratios of Big Bear Lake employees and applies them to the staffing structure identified in the Personnel Costs analysis. They are then inflated at the salary growth rate of 3.0% per year. Costs for Supplies and Services are taken from the City of Big Bear Lake's Human Resources Department. Capital Outlay is assumed to cost \$1,000 per employee in the first year, and \$250 per employee for every year thereafter, inflated at CPI.

¹ The operations officer and permit license specialist are allocated to various departments. Their pro-rata share of cost is included in the departments similar to the Big Bear model.

Finance

This analysis takes the salaries and benefits ratios of Big Bear Lake employees and applies them to the staffing structure identified in the Personnel Costs analysis. They are then inflated at the salary growth rate of 3.0% per year. All Supplies and Services costs come from the City of Big Bear Lake, as well. Capital Outlay is assumed to cost \$1,000 per employee in the first year, and \$250 per employee for every year thereafter, inflated at CPI. Additionally, finance software is assumed to cost a one-time expense of \$10,000 and annual update costs of \$1,000 per year. This assumption is made as an estimate based upon RSG's own experience.

Community Development

This analysis takes the salaries and benefits ratios of Big Bear Lake employees and applies them to the staffing structure identified in the Personnel Costs analysis. They are then inflated at the salary growth rate of 3.0% per year. Office Expenses are drawn from the City of Big Bear Lake's budget. General Plan, Zoning Code, and the General Plan Environmental Impact Report preparation costs are all sourced from RSG's research, which included a survey of various planning firms and community development officials. RSG estimates the General Plan will cost \$1,100,000, with the costs spread evenly across the first four years. RSG estimates the Zoning Code will cost \$175,000, and be prepared in the year following completion of the General Plan. Capital Outlay is assumed at \$1,000 per employee in the first year, and \$250 per employee for every year thereafter, inflated at CPI.

Public Works

This analysis takes the salaries and benefits ratios of Big Bear Lake employees and applies them to the staffing structure identified in the Personnel Costs analysis. They are then inflated at the salary growth rate of 3.0% per year. Office Expenses and the cost of NPDES Program Implementation are drawn from the City of Big Bear Lake's budget and inflated at CPI. AB 939 Solid Waste Program costs are assumed to be \$.53 per citizen, annually, and capital outlay is assumed to cost \$1,000 per employee in the first year, and \$250 per employee for every year thereafter, inflated at CPI.

Animal Control

This cost is based on the County-estimated cost of service for animal control, and assumes a contract of equal cost will be entered into for service. It was then inflated at an annual contract increase of 3.0%.

Law Enforcement

This cost is based on what the City of Big Bear Lake is currently paying for their Law Enforcement contract. It was then inflated at an annual contract increase of 3.0%, which is the typical annual salary increase for the City of Big Bear Lake, according to their Memorandum of Understanding.

Non-Departmental

The estimate of \$1,000 for LAFCO fees is an estimate based on RSG's experience. The insurance figure of \$400,000 is derived from the City of Big Bear Lake's, which falls within a range of \$350,000 to \$500,000. The cost of the information technology ("IT") contract, and the cost and amount of space leased for City Hall, including the operating expense ratio, were estimated by RSG.

Other Expenses

RSG budgeted for a 10% contingency expenditure each year. Additionally, a reserve was constructed equal to 25% of the proposed City's total expenditures in the first year of the forecast. The reserve is augmented annually to maintain that ratio. It is further worth noting that RSG examined the need for revenue neutrality payments, but the current County expenses exceed revenues, therefore no payments are anticipated. Note that if expenditures currently associated with CSAs and special districts are assumed by the City, the contingency expenditures and anticipated reserve set aside would be impacted.

Fire District

The costs to provide fire originate from existing districts to be detached or dissolved. These costs are incorporated into the CSA/Special District analysis and detailed later in this report.

Road Fund

Capital outlay associated with the Road Fund includes supplies for road maintenance in an amount that mirrors Big Bear's budgeted amount for 2014-15. This number is substantially less than the County stated its 2013-14 expenditures in the area were. RSG has made this adjustment based on the premise that extraordinary expenditures took place in 2013-14, as discussed with LAFCo staff. Note that while kept separate in this IFA, road maintenance performed within the dissolved CSAs would fall to Public Works, increasing total expenditures.

CSA/Special District Analysis

As mentioned earlier, there are over 30 CSAs and special districts providing road maintenance, snow plowing, sanitation, water, fire protection, and other services to the proposed City. In order to estimate the potential financial impact, RSG first obtained a Plan for Services model from LAFCo. The model detailed which districts were proposed to be dissolved, detached, or unaffected by the two incorporation scenarios.

In the case of CSAs and special districts that are entirely within the proposed City, RSG used the most recent audited financial statements to determine unencumbered cash balances, annual revenues, and expenditures that would be transferred or assumed by the new City. CSA and district cash balances, revenues, and expenditures were organized into three groups for illustrative purposes: "General", "Road", and "Water and Sewer".

Revenues from the CSAs and districts consist of property tax revenue and fees for services. RSG conducted a weighted 1% general levy property tax breakdown analysis to estimate the shares of property taxes that would transfer from the existing districts to the new City. This percentage share was totaled and applied to 1% of the projected assessed value. Revenues generated within the districts from fees such as special assessments or contract fees were identified using the most recent audited financial statements. The amount earned by the dissolved or detached CSAs and districts in the most recent audits were transferred to the new City and inflated annually by CPI.

Expenditures vary widely across the districts but generally include costs to provide services, facility maintenance, and staff. A certain amount of cost savings is anticipated with the consolidation of services into a centralized city staffing model, however, without further analysis it is difficult to estimate exactly how much this will be. It is RSG's understanding that the CSAs performing road maintenance already benefit from shared resources through the County, and

therefore no cost savings is anticipated by this IFA. However, costs associated with the various water and sanitation districts are assumed to benefit from a 15% reduction for the consolidation of management, finance, and other administrative expenditures. In addition to service expenditures, RSG attempted to incorporate bond debt service associated with the special districts, to the extent the information was available in the audits.

Particular attention was paid to the County Fire Protection District Mountain Service Zone because only a portion of this district's responsibilities and revenues will transfer to the new City. In order to analyze this district detachment, RSG estimated which portion of this district's assessed value was based within the new City's boundaries and then prorated the transferred unencumbered cash balance, revenues, and expenditures by the same factor. The Lake Arrowhead Ambulance and PM1 Lake Arrowhead Paramedic were assumed to be dissolved. Crest Forest Fire Protection District was also assumed to be dissolved by the time of incorporation.

The County Fire Protection District Mountain Service Zone's costs to provide fire protection, combined with the fire protection costs from the Crest Forest Fire Protection District, the Running Springs Water District, and the Arrowbear Park Water District, comprise the proposed City's estimated fire protection costs. There could be costs savings realized by consolidating these districts into one centralized fire protection service but further analysis is needed to determine the exact amount.

Please note that any future analysis should incorporate a more detailed forecast of revenues and expenditures associated with the dissolution and/or detachment of the many county service areas and special districts that currently serve the existing communities. Many of these Special District funds, particularly those related to water and sewer, would become enterprise funds within the proposed City. These revenues are would not belong to the City's General Fund, and can only be used to provide the service for which they were collected. To more clearly see the impact of the proposed dissolutions, most CSAs and special districts are shown separately from the core City services.

CONCLUDING REMARKS

Inclusive of all City funds, the City's Road and Water funds, and the various CSA and special district funds, the proposed City is shown to face some financial challenges. However, the greater issues surrounding development of a personnel model, and dissolution and detachment of districts – particularly fire service which is far and away the highest cost shown here – may warrant further investigation to determine effective and efficient service delivery in a manner that achieves the objectives of the incorporation proponents.

Rim of the World Feasibility Analysis Spreadsheets

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (5,615,000)	\$ (11,704,500)	\$ (18,112,100)	\$ (25,120,300)
Revenues by Source						
Property Taxes	1,475,100	1,568,200	1,597,900	1,628,500	1,660,200	1,691,900
Sales Taxes	1,346,600	1,434,500	1,465,000	1,496,200	1,528,100	1,560,700
Property Transfer Taxes	121,500	135,300	139,800	143,200	147,800	151,300
Transient Occupancy Taxes	824,700	878,500	897,300	916,400	936,000	955,900
Off Highway License Subvention	1,700	1,800	1,800	1,800	1,900	1,900
Animal Control Fees	103,300	123,400	130,900	138,900	147,300	156,300
Fines & Forfeitures	63,300	66,600	67,300	67,900	68,600	69,300
Franchise Fees	750,000	772,700	780,500	788,300	796,100	804,100
Community Development Fees	917,300	1,002,400	1,032,500	1,063,600	1,095,400	1,128,300
Public Works Fees	120,000	131,200	135,100	139,200	143,400	147,600
Interest Earnings	-	-	-	-	-	-
Total	\$ 5,723,500	\$ 6,114,600	\$ 6,248,100	\$ 6,384,000	\$ 6,524,800	\$ 6,667,300
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	604,800	569,700	665,800	604,400	704,800	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	268,200	291,200	300,000	309,100	318,400	328,000
Finance	422,600	447,600	461,000	474,700	488,900	503,700
Community Development	928,700	1,282,600	1,312,800	1,344,100	1,376,000	1,309,100
Public Works	845,800	912,100	939,200	967,100	995,700	1,025,100
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	4,939,200	5,897,600	6,256,800	6,637,800	7,042,000	7,470,900
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	901,000	1,051,000	1,109,000	1,153,000	1,216,000	1,256,000
Reserve Fund (25% of Expenditures)	2,253,000	167,200	143,400	110,700	157,800	99,200
Total	\$ 12,166,100	\$ 11,729,600	\$ 12,337,600	\$ 12,791,600	\$ 13,533,000	\$ 13,911,000
Net Revenue / (Deficit)	(6,442,600)	(5,615,000)	(6,089,500)	(6,407,600)	(7,008,200)	(7,243,700)
Ending Fund Balance	\$ (6,442,600)	\$ (5,615,000)	\$ (11,704,500)	\$ (18,112,100)	\$ (25,120,300)	\$ (32,364,000)

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ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)
Revenues by Source						
Gas Tax (Sec. 2105)	1,700	1,800	1,800	1,800	1,900	1,900
Gas Tax (Sec. 2106)	165,200	170,200	171,900	173,700	175,400	177,200
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	6,000	6,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 298,300	\$ 303,400	\$ 305,100	\$ 306,900	\$ 308,700	\$ 310,500
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,539,000)	(1,662,600)	(1,705,900)	(1,750,000)	(1,795,200)	(1,841,500)
Ending Fund Balance	\$ (1,539,000)	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)	\$ (8,755,200)

CSA/SPECIAL DISTRICT ANALYSIS

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	8,031,000				
Road Districts	-	1,920,200				
Water and Sewer Districts	-	16,546,300				
Total	\$ -	\$ 26,497,500				
Beginning Fund Balance	\$ -	\$ 26,497,500	\$ 28,332,800	\$ 30,311,900	\$ 32,342,200	\$ 34,411,700
Dissolved District Revenues						
Property Taxes from Dissolved Districts	18,051,900	19,182,400	19,551,700	19,928,400	20,312,600	20,704,600
Fees for Services and Special Assessments						
General	8,546,300	9,104,400	9,298,400	9,496,500	9,698,900	9,905,600
Road Districts	1,044,800	1,112,900	1,136,600	1,160,800	1,185,500	1,210,800
Water and Sewer Districts	40,302,800	42,934,700	43,849,600	44,784,000	45,738,300	46,713,000
Interest Earnings	-	82,800	88,600	94,800	101,100	107,600
Total	\$ 67,945,800	\$ 72,417,200	\$ 73,924,900	\$ 75,464,500	\$ 77,036,400	\$ 78,641,600
Dissolved Districts Expenditures						
Fire Protection	19,188,800	20,441,800	20,877,400	21,322,300	21,776,700	22,240,800
Operating Expenditures						
General	8,093,400	8,621,900	8,805,600	8,993,200	9,184,800	9,380,500
Road Districts	1,012,400	1,078,500	1,101,500	1,125,000	1,149,000	1,173,500
Water and Sewer	35,961,100	38,309,400	39,125,800	39,959,600	40,811,100	41,680,800
Debt Service	3,323,900	2,130,300	2,035,500	2,034,100	2,045,300	1,952,900
Total	\$ 67,579,600	\$ 70,581,900	\$ 71,945,800	\$ 73,434,200	\$ 74,966,900	\$ 76,428,500
Net Revenue / (Deficit)	366,200	1,835,300	1,979,100	2,030,300	2,069,500	2,213,100
Ending Fund Balance	\$ 366,200	\$ 28,332,800	\$ 30,311,900	\$ 32,342,200	\$ 34,411,700	\$ 36,624,800

2014 POPULATION ESTIMATES

Jurisdiction	Total	%
San Bernardino County	2,085,669	100.0%
<i>Incorporated Cities</i>	<i>1,788,244</i>	<i>85.7%</i>
San Bernardino	212,721	10.2%
Fontana	202,177	9.7%
Rancho Cucamonga	172,299	8.3%
Ontario	167,382	8.0%
Victorville	120,590	5.8%
Rialto	101,429	4.9%
Hesperia	91,506	4.4%
Chino	81,747	3.9%
Chino Hills	76,131	3.7%
Upland	75,147	3.6%
Apple Valley	70,755	3.4%
Redlands	69,882	3.4%
Highland	54,033	2.6%
Colton	53,057	2.5%
Yucaipa	52,654	2.5%
Montclair	37,374	1.8%
Adelanto	32,511	1.6%
Twentynine Palms	26,576	1.3%
Loma Linda	23,614	1.1%
Barstow	23,292	1.1%
Yucca Valley	21,053	1.0%
Grand Terrace	12,285	0.6%
Big Bear Lake	5,121	0.2%
Needles	4,908	0.2%
<i>Unincorporated</i>	<i>297,425</i>	<i>14.3%</i>
Rim of the World	29,198	1.4%

Sources: California Department of Finance and ESRI Business Analyst

POPULATION FORECAST

	Base Year					
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
RSG Estimated Growth Rate (1%)	29,198	30,083	30,384	30,687	30,994	31,304
Growth Rates						
US Census Figures, 2000-2010	-0.83%					
ESRI Business Analyst Estimates, 2010-14	1.25%					
ESRI Business Analyst Estimates, 2014-19	2.48%					

ASSESSED VALUE FORECAST

	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
<i>Lake Arrowhead AV</i>						
Prior Year Secured AV Plus 2.00%	3,932,379,712	4,173,080,000	4,256,540,000	4,341,670,000	4,428,500,000	4,517,070,000
Prior Year Unsecured AV Plus 0.00%	41,719,123	41,719,100	41,719,100	41,719,100	41,719,100	41,719,100
Cedar Glen RDA Adjustment	(64,654,548)	(80,117,225)	(85,478,981)	(90,947,971)	(96,526,342)	(102,216,280)
Projected New Residential Value		23,360,700	24,184,200	25,021,800	25,873,700	26,740,200
Total	3,909,444,287	4,158,042,575	4,236,964,319	4,317,462,929	4,399,566,458	4,483,313,020
<i>Crest Forest AV</i>						
Prior Year Secured AV Plus 2.00%	1,079,350,700	1,145,420,000	1,168,330,000	1,191,700,000	1,215,530,000	1,239,840,000
Prior Year Unsecured AV Plus 0.00%	7,371,836	7,371,800	7,371,800	7,371,800	7,371,800	7,371,800
Total	1,086,722,536	1,152,791,800	1,175,701,800	1,199,071,800	1,222,901,800	1,247,211,800
<i>Hilltop AV</i>						
Prior Year Secured AV Plus 2.00%	798,241,682	847,100,000	864,040,000	881,320,000	898,950,000	916,930,000
Prior Year Unsecured AV Plus 0.00%	10,813,169	10,813,200	10,813,200	10,813,200	10,813,200	10,813,200
Total	809,054,851	857,913,200	874,853,200	892,133,200	909,763,200	927,743,200
<i>ROTW AV</i>						
Prior Year AV Plus 2.00%	5,805,221,674	6,168,747,575	6,287,519,319	6,408,667,929	6,532,231,458	6,658,268,020
<i>ROTW Without Hilltop AV</i>						
Prior Year AV Plus 2.00%	4,996,166,823	5,310,834,375	5,412,666,119	5,516,534,729	5,622,468,258	5,730,524,820

Source: County Assessor's 2014-15 Secured and Unsecured Tax Rolls

Note: For estimating purposes only, all new growth put into Lake Arrowhead SubArea

TRANSIENT OCCUPANCY TAX

	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
<i>Lake Arrowhead TOT</i>						
Prior Year TOT Plus 2.13%	725,600	773,000	789,500	806,300	823,500	841,000
<i>Crest Forest TOT</i>						
Prior Year TOT Plus 2.13%	74,700	79,600	81,300	83,000	84,800	86,600
<i>Hilltop TOT</i>						
Prior Year TOT Plus 2.13%	24,400	25,900	26,500	27,100	27,700	28,300
<i>ROTW TOT</i>						
Prior Year TOT Plus 2.13%	824,700	878,500	897,300	916,400	936,000	955,900
<i>ROTW Without Hilltop TOT</i>						
Prior Year TOT Plus 2.13%	800,300	852,600	870,800	889,300	908,300	927,600

Source: Hotel Transient Occupancy Tax - Unincorporated Communities, 2013-14 Fiscal Year

PROPERTY TRANSFER TAXES

		Base Year					
		2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Total Property Sales (2013-14)	\$ 276,412,249						
2013-14 Transfer Tax (Co. Share)	304,053						
(\$1.10 / \$1,000 transferred, will be split in half with incorporation)							
Projected Turnover							
Residential Resale Volume		\$ 220,820,000	\$ 246,000,000	\$ 254,200,000	\$ 260,400,000	\$ 268,750,000	\$ 275,000,000
Projected Existing Housing Stock		24,302	24,600	24,700	24,800	24,900	25,000
Turnover Rate	5.0%	1,220	1,230	1,240	1,240	1,250	1,250
Median Resale Price (2013-14)	\$ 162,000	\$ 181,000	\$ 200,000	\$ 205,000	\$ 210,000	\$ 215,000	\$ 220,000
Appreciation Rate (2014)	11.8%						
Appreciation Rate (2015)	5.2%						
Appreciation Rate (Later Yrs)	2.5%						
Property Transfer Taxes (Projected)		\$ 121,500	\$ 135,300	\$ 139,800	\$ 143,200	\$ 147,800	\$ 151,300

Sources: ESRI Business Analyst and CoreLogic's MetroScan Database

ESTIMATED 2014-015 AUDITOR'S RATIO

	2014-15 Adopted Budget Figures	
	General	Total
Taxes (Excluding Property Tax)	282,843,627	
1991 Realignment	209,149,972	
2011 Realignment	304,905,462	
State, Federal, or Government Aid	1,573,072,710	
Fee/Rate	893,328,166	
Other Revenue	122,895,072	
Subtotal	\$ 3,386,195,009	\$ -
Property Taxes	450,800,000	450,800,000
Total	\$ 3,836,995,009	\$ 450,800,000
Estimated Auditor's Ratio	11.7488%	

Source: San Bernardino County Budget, 2014-15

PROPERTY TAX SHARE TRANSFER

	Annual Net Costs for ROTW		
	Cost	Revenue	Net Cost
Net Cost of Services Transferred from County			
Planning	\$ 65,878	\$ 65,878	\$ -
Building & Safety	565,624	565,624	-
Public Works	10,373,862	3,552,270	6,821,592
Code Enforcement	152,984	152,984	-
Animal Control	279,667	103,304	176,363
Fire Protection	-	-	-
Law Enforcement (Sheriff)	4,939,214	-	4,939,214
Total	\$ 16,377,229	\$ 4,440,060	\$ 11,937,169
Auditor's Ratio /1			11.7488%
Base Year Property Tax Revenue Transfer to Town (2013-14)			\$ 1,402,474
Property Tax Revenue Adjustment for AV Growth			
Assessed Value, 2014-15			5,805,221,674
Assessed Value, 2017-18			6,168,747,575
Change in AV from 2014-15 to 2017-18			6%
Property Tax Revenue Adjusted for AV Growth			1,490,298
Property Tax Share Computation			
Projected Assessed Value - Year One			5,805,221,674
General Tax Levy (1% of Assessed Value)			58,052,217
Property Tax Revenue Adjusted for AV Growth			1,490,298
Property Tax Share to Town			2.567%

Source: San Bernardino County

PROPERTY TAXES

		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Property Taxes	2.567%	\$ 1,490,000	\$ 1,584,000	\$ 1,614,000	\$ 1,645,000	\$ 1,677,000	\$ 1,709,000
Less: County Admin. Fee	-1.00%	(14,900)	(15,800)	(16,100)	(16,500)	(16,800)	(17,100)
Net Property Tax		1,475,100	1,568,200	1,597,900	1,628,500	1,660,200	1,691,900
TOTAL		\$ 1,475,100	\$ 1,568,200	\$ 1,597,900	\$ 1,628,500	\$ 1,660,200	\$ 1,691,900

SALES TAXES

	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Prior Year Sales Tax Plus 2.1%	1,243,800	1,325,000	1,353,200	1,382,000	1,411,500	1,441,600
Unallocated Sales Tax Adjustment Estim	102,800	109,500	111,800	114,200	116,600	119,100
Total Sales Tax	1,346,600	1,434,500	1,465,000	1,496,200	1,528,100	1,560,700

Note: California Department of Finance estimates that the Economic Recovery Bonds that require the California State "Triple-Flip" sales tax split will be retired by the time of incorporation.

Source: San Bernardino County, Historical Sales Tax by Quarter

ADJUSTMENT TO TAXABLE SALES REVENUE ESTIMATE

Taxable Sales by Jurisdiction (Reported in Thousands of Dollars)	California ¹	San Bernardino County ¹	ROTW ²
Direct Allocation of Total Taxable Sales (000's)			
Q4, 2013	\$ 138,584,504	\$ 7,569,103	31,087
Q3, 2013	131,397,016	6,939,458	33,046
Q2, 2013	130,550,316	6,919,273	30,891
Q1, 2013	120,647,708	6,512,756	25,988
Total	521,179,544	27,940,590	121,011
Study Area Share of Direct Allocations	0.0232%	0.4331%	
Indirect Allocation of Total Taxable Sales (000's)			
Q4, 2013	130,255	924,835	
Q3, 2013	66,522	766,695	
Q2, 2013	90,113	793,795	
Q1, 2013	76,111	751,908	
Total	232,746	2,312,398	
Times: Study Area Share of Direct:	0.0232%	0.4331%	
Study Area Indirect Allocations	54	10,015	
Total			10,069
Total Adjusted Taxable Sales (in thousands)			\$ 131,080

¹ Quarterly Taxable Sales Reports (Table 2) and State Board of Equalization

² San Bernardino LAFCO

OTHER REVENUES

		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Off-Highway Vehicle License Subvention		1,700	1,800	1,800	1,800	1,900	1,900
SCO Per Capita (2014-15)	0.06						
Growth Rate	0%						
Franchise Fees		750,000	772,700	780,500	788,300	796,100	804,100
Base Year Estimate (14-15)	25.69						
Growth Rate	0.0%						
Fines & Forfeitures		63,300	66,600	67,300	67,900	68,600	69,300
Base Year Per Capita Estimate (14-15)	2.17						
Growth Rate	2.1%						
2014-15 Gas Tax (to Road Fund)							
Gas Tax (Sec. 2103) Per Capita	12.93	377,600	389,000	392,900	396,800	400,800	404,800
Gas Tax (Sec. 2105) Per Capita	5.94	173,500	178,800	180,600	182,400	184,200	186,000
Gas Tax (Sec. 2106) Per Capita	5.66	165,200	170,200	171,900	173,700	175,400	177,200
Gas Tax (Sec. 2107) Per Capita	7.88	230,100	237,100	239,500	241,900	244,300	246,700
Gas Tax (Sec. 2107 - Snow Removal)	125,380	125,400	125,400	125,400	125,400	125,400	125,400
Growth Rate	0%						
Gas Tax (Sec. 2107.5)	Fixed Pmt	6,000	6,000	6,000	6,000	6,000	6,000
Projected Population		29,198	30,083	30,384	30,687	30,994	31,304

Sources: San Bernardino County and City of Big Bear Lake Operating Budget, 2014-15

FEES FOR SERVICES

		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Community Development Fees		\$ 917,300	\$ 1,002,400	\$ 1,032,500	\$ 1,063,600	\$ 1,095,400	\$ 1,128,300
14-15 Cost for Services	\$ 917,300						
% of Costs Offset	100.00%						
Public Works Fees		120,000	131,200	135,100	139,200	143,400	147,600
14-15 Cost for Services	\$ 744,700						
% of Costs Offset	16.12%						
Animal Control Fees		103,300	123,400	130,900	138,900	147,300	156,300
14-15 Cost for Services	\$ 279,700						
% of Costs Offset	36.94%						
TOTAL		1,140,600	1,257,000	1,298,500	1,341,700	1,386,100	1,432,200

REVENUE NEUTRALITY CALCULATIONS

2014-15 Estimates

Revenue Transferred		
Property Tax	\$	1,402,474
Sales Tax		983,101
Property Tax In Lieu		327,700
Property Transfer Tax		152,027
Fines & Forfeitures (Cost Offset)		-
Franchise Fees		26
Total Revenue Loss to County		\$ (2,865,328)
Expenses Transferred (Net of Revenue Offsets)		
Planning		-
Building & Safety		-
Engineering		6,821,592
Animal Control		176,363
Fire Protection		-
Law Enforcement (Sheriff)		4,939,214
Total Expenditure Reduction		11,937,169
County Property Tax Admin. Fee of 1.00%		(14,025)
Net Revenue Impact to County - Positive/(Negative)	\$	9,057,816
Potential Revenue Neutrality Payment		Zero

PERSONNEL COSTS

Department	ROTW (Proposed)		
	Salary	Positions	Total Salary
Administrative			
City Manager	221,000	1.00	221,000
City Clerk/Administrative Analyst	64,958	1.00	64,958
Chief Operations Officer	142,500	0.35	49,875
Permit-License Specialist	55,037	0.10	5,504
Administrative Clerk	38,189	1.00	38,189
Dept. Benefits Ratio	35%		132,834
Human Resources			
Chief Operations Officer	142,500	0.50	71,250
Senior Human Resources Specialist	76,086	1.00	76,086
Administrative Assistant	47,611	1.00	47,611
Dept. Benefits Ratio	35%		68,232
Finance			
Chief Operations Officer	142,500	0.05	7,125
Finance Supervisor	87,256	1.00	87,256
Office Specialist	30,000	1.00	30,000
Accountant	60,798	2.00	121,597
Accounting Technician	54,870	1.00	54,870
Dept. Benefits Ratio	35%		105,297
Public Works/Engineering			
Director of Public Works	123,000	1.00	123,000
Chief Operations Officer	142,500	0.10	14,250
Associate Engineer	87,256	2.00	174,512
Crew Leader - Street Maintenance	51,397	1.00	51,397
Crew Leader - Facilities/Parks	51,397	1.00	51,397
Maintenance Worker II - Street Maintenance	46,259	4.00	185,037
Maintenance Worker - Facilities/Parks	37,960	2.00	75,920
Mechanic II	64,875	1.00	64,875
Administrative Assistant	47,611	1.00	47,611
Dept. Benefits Ratio	35%		275,800

Community Development			
Community Development Director	130,750	1.00	130,750
City Planner	96,158	1.00	96,158
Principal Planner	83,450	1.00	83,450
Associate Planner	75,858	1.00	75,858
Senior Code Compliance Officer	66,082	1.00	66,082
Code Compliance Officer	52,707	1.00	52,707
Senior Plans Examiner	77,293	1.00	77,293
Permit-License Specialist	55,037	0.90	49,533
Administrative Assistant	47,611	1.00	47,611
Dept. Benefits Ratio	35%		237,805

TOTAL STAFF	33.00	\$ 819,967
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City Attorney		
Total Estimated Contract Services and Contract		154,000

Law Enforcement		
Total Estimated County Contract		4,939,214

Animal Control		
Total Estimated County Contract		279,700

TOTAL PERSONNEL (INCLUDING CONTRACTED STAFF)	6,192,881
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Note: Although this staffing structure is modeled after the City of Big Bear Lake's, significant changes have been made to adapt it to ROTW's own unique circumstances. These changes include the dissolution, creation, and consolidation of various departments, the elimination or addition of various positions, and minor changes to time allocation.

Source: City of Big Bear Lake 2014-15 Operating Budget and 2014-15 Salary Schedule

CITY COUNCIL

Item Detail and Assumptions	Annual City Operating Budget					
	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
City Council Stipends	\$ 24,600	\$ 24,600	\$ 24,600	\$ 24,600	\$ 24,600	\$ 24,600
Supplies & Services						
Office Expenses		500	500	500	600	600
2015 Cost	500					
Growth Rate	2.1%					
Travel & Memberships		500	500	500	600	600
2015 Cost	500					
Growth Rate	2.1%					
TOTAL	\$ 25,600	\$ 25,600	\$ 25,600	\$ 25,800	\$ 25,800	\$ 25,800
Department Personnel	-	-	-	-	-	-

Source: Big Bear Lake 2014-15 Operating Budget

CITY ATTORNEY

Item Detail and Assumptions	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Supplies & Services						
Contract with Law Firm						
2015 Cost	154,000	\$ 154,000	\$ 168,300	\$ 173,300	\$178,500	\$183,900
Base Cost Growth Rate	3.0%					
TOTAL		\$ 154,000	\$ 168,300	\$ 173,300	\$178,500	\$183,900
Department Personnel		-	-	-	-	-

Source: City of Big Bear Lake Operating Budget, 2014-15

CITY MANAGER

Item Detail and Assumptions		Annual City Operating Budget					
		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures							
Salaries & Benefits							
City Manager		\$ 298,400	\$ 326,100	\$ 335,900	\$346,000	\$356,400	\$367,100
2015 Cost	221,000						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
City Clerk/Administrative Analyst		87,700	95,800	98,700	101,700	104,800	107,900
2015 Cost	64,958						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Chief Operations Officer		67,300	73,500	75,700	78,000	80,300	82,700
2015 Cost	49,875						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Permit-License Specialist		7,400	8,000	8,200	8,400	8,700	9,000
2015 Cost	5,504						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Administrative Clerk		51,600	56,300	58,000	59,700	61,500	63,300
2015 Cost	38,189						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Supplies & Services							
Notices and Office Expenses		2,000	2,100	2,200	2,200	2,300	2,300
2015 Cost	2,000						
Growth Rate	2.1%						
Travel & Memberships		3,900	4,200	4,300	4,400	4,500	4,600
2015 Cost	3,925						
Growth Rate	2.1%						
Codification Services		10,000	2,800	2,900	3,000	3,100	3,200
2015 Cost	10,000						
Growth Rate	2.1%						
Elections		73,000	-	79,000	-	82,200	-
2015 Cost per Registered Voter	2.50						
Per Capita Costs	see below						
Capital Outlay							
Computer Hardware & Software		3,500	900	900	1,000	1,000	1,000
2015 Cost	3,450						
Growth Rate	2.1%						
TOTAL		\$ 604,800	\$ 569,700	\$ 665,800	\$604,400	\$704,800	\$641,100
Department Personnel		3.45	3.45	3.45	3.45	3.45	3.45
Notes							
Projected Population		29,198	30,985	31,605	32,237	32,882	33,539

Source: City of Big Bear Lake Operating Budget, 2014-15

FINANCE

Item Detail and Assumptions	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Chief Operations Officer	\$ 7,100	\$ 7,700	\$ 7,900	\$ 8,100	\$ 8,300	\$ 8,500
2015 Cost	71,250					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Finance Supervisor	117,800	128,600	132,500	136,500	140,600	144,800
2015 Cost	87,256					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Office Specialist	40,500	44,300	45,600	47,000	48,400	49,900
2015 Cost	30,000					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Accountant	164,200	179,400	184,800	190,300	196,000	201,900
2015 Cost	121,597					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Accounting Technician	74,100	81,000	83,400	85,900	88,500	91,200
2015 Cost	54,870					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Supplies & Services						
Office Expenses	2,500	2,800	2,900	3,000	3,100	3,200
2015 Cost	2,500					
Growth Rate	2.1%					
Travel & Memberships	1,300	1,400	1,400	1,400	1,500	1,500
2015 Cost	1,300					
Growth Rate	2.1%					
Capital Outlay						
Office Equipment & Furnishings	5,100	1,300	1,400	1,400	1,400	1,500
2015 Cost	5,050					
Growth Rate	2.1%					
Financial Software	10,000	1,100	1,100	1,100	1,100	1,200
2015 Cost	10,000					
Growth Rate	2.1%					
TOTAL	\$ 422,600	\$ 447,600	\$ 461,000	\$ 474,700	\$ 488,900	\$ 503,700
Department Personnel	5.1	5.1	5.1	5.1	5.1	5.1

Source: City of Big Bear Lake Operating Budget, 2014-15

HUMAN RESOURCES

Item Detail and Assumptions	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Chief Operations Officer	\$ 96,200	\$ 105,200	\$ 108,400	\$ 111,700	\$ 115,100	\$ 118,600
2015 Cost	71,250					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Senior Human Resources Specialist	102,700	112,300	115,700	119,200	122,800	126,500
2015 Cost	76,086					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Administrative Assistant	64,300	70,200	72,300	74,500	76,700	79,000
2015 Cost	47,611					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Supplies & Services						
Office Expenses	2,500	2,800	2,900	3,000	3,100	3,200
2015 Cost	2,500					
Growth Rate	2.1%					
Capital Outlay						
Computer Hardware & Software	2,500	700	700	700	700	700
2015 Cost	2,500					
Growth Rate	2.1%					
TOTAL	\$ 268,200	\$ 291,200	\$ 300,000	\$ 309,100	\$ 318,400	\$ 328,000
Department Personnel	2.50	2.50	2.50	2.50	2.50	2.50

Source: City of Big Bear Lake Operating Budget, 2014-15

Community Development

Item Detail and Assumptions		Annual City Operating Budget					
		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures							
Salaries & Benefits							
Community Development Director		\$ 176,500	\$ 192,900	\$ 198,700	\$ 204,700	\$ 210,800	\$ 217,100
2015 Cost	130,750						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
City Planner		129,800	141,800	146,100	150,500	155,000	159,700
2015 Cost	96,158						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Principal Planner		112,700	123,200	126,900	130,700	134,600	138,600
2015 Cost	83,450						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Associate Planner		102,400	112,000	115,400	118,900	122,500	126,200
2015 Cost	75,858						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Senior Code Compliance Officer		89,200	97,500	100,400	103,400	106,500	109,700
2015 Cost	66,082						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Code Compliance Officer		71,200	77,800	80,100	82,500	85,000	87,600
2015 Cost	52,707						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Senior Plans Examiner		104,300	113,900	117,300	120,800	124,400	128,100
2015 Cost	77,293						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Permit-License Specialist		66,900	73,100	75,300	77,600	79,900	82,300
2015 Cost	49,533						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Administrative Assistant		64,300	70,200	72,300	74,500	76,700	79,000
2015 Cost	47,611						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Supplies & Services							
General Plan/EIR Preparation		-	275,000	275,000	275,000	275,000	-
Zoning Code Preparation		-	-	-	-	-	175,000
Office Expenses		2,500	2,800	2,900	3,000	3,100	3,200
2015 Cost	2,500						
Growth Rate	2.1%						
Capital Outlay							
Computer Hardware & Software		8,900	2,400	2,400	2,500	2,500	2,600
2015 Cost	8,900						
Growth Rate	2.1%						
Office Furnishings and Fixtures		-	-	-	-	-	-
TOTAL		\$ 928,700	\$ 1,282,600	\$ 1,312,800	\$ 1,344,100	\$ 1,376,000	\$ 1,309,100
Department Personnel							
		8.90	8.90	8.90	8.90	8.90	8.90

Source: City of Big Bear Lake Operating Budget, 2014-15

Item Detail and Assumptions		Annual City Operating Budget					
		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures							
General							
Salaries & Benefits							
Director of Public Works		\$ 166,100	\$ 181,500	\$ 186,900	\$ 192,500	\$ 198,300	\$ 204,200
2015 Cost	123,000						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Chief Operations Officer		19,200	21,000	21,600	22,200	22,900	23,600
2015 Cost	14,250						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Associate Engineer		235,600	257,500	265,200	273,200	281,400	289,800
2015 Cost	174,512						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Crew Leader - Facilities/Parks		69,400	75,800	78,100	80,400	82,800	85,300
2015 Cost	51,397						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Maintenance Worker - Facilities/Parks		102,500	112,100	115,500	119,000	122,600	126,300
2015 Cost	75,920						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Mechanic II		87,600	95,700	98,600	101,600	104,600	107,700
2015 Cost	64,875						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Administrative Assistant		64,300	70,200	72,300	74,500	76,700	79,000
2015 Cost	47,611						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Supplies & Services							
NPDES Program Implementation		70,000	75,000	77,000	79,000	81,000	83,000
2015 Cost	70,000						
Growth Rate	2.1%						
AB 939 Solid Waste Program		15,500	17,000	17,500	18,100	18,600	19,200
2015 Cost per Resident	0.53						
Growth Rate	2.1%						
Office Expenses		2,500	2,800	2,900	3,000	3,100	3,200
2015 Cost	2,500						
Growth Rate	2.1%						
Computer Hardware & Software		13,100	3,500	3,600	3,600	3,700	3,800
2015 Cost	13,100						
Growth Rate	2.1%						
SUBTOTAL		\$ 845,800	\$ 912,100	\$ 939,200	\$ 967,100	\$ 995,700	\$ 1,025,100

Road Fund							
Crew Leader - Street Maintenance		69,400	75,800	78,100	80,400	82,800	85,300
2015 Cost	51,397						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Maintenance Worker II - Street Maintenance		249,800	273,000	281,200	289,600	298,300	307,200
2015 Cost	185,037						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Capital Outlay							
Road Maintenance, Snow Removal, & Snow Plow Equipment		1,518,100	1,617,200	1,651,700	1,686,900	1,722,800	1,759,500
2014-15 Big Bear Comp Estimated Cost for Services	1,486,440						
Growth Rate	2.1%						
SUBTOTAL		\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
TOTAL		\$ 2,683,100	\$ 2,878,100	\$ 2,950,200	\$ 3,024,000	\$ 3,099,600	\$ 3,177,100

Department Personnel	13.10	13.10	13.10	13.10	13.10	13.10
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Source: City of Big Bear Lake Operating Budget, 2014-15

ANIMAL CONTROL

Item Detail and Assumptions	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Supplies & Services						
Contract with County Animal Control	\$ 279,700	\$ 334,000	\$ 354,300	\$375,900	\$398,800	\$423,100
2015 Cost	279,700					
Base Cost Growth Rate	3.0%					
 TOTAL	 \$ 279,700	 \$ 334,000	 \$ 354,300	 \$375,900	 \$398,800	 \$423,100
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Department Personnel	-	-	-	-	-	-

Source: City of Big Bear Lake Operating Budget, 2014-15

LAW ENFORCEMENT

Item Detail and Assumptions	Annual City Operating Budget					
	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Supplies & Services						
Contract with County Sheriff Department	\$4,939,200	\$5,897,600	\$6,256,800	\$6,637,800	\$7,042,000	\$ 7,470,900
2015 Cost	4,939,214					
Base Cost Growth Rate	3.0%					
 TOTAL	 \$4,939,200	 \$5,897,600	 \$6,256,800	 \$6,637,800	 \$7,042,000	 \$ 7,470,900
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Department Personnel	-	-	-	-	-	-

Source: City of Big Bear Lake Operating Budget, 2014-15

FIRE PROTECTION

-

Item Detail and Assumptions	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Costs from Dissolved Districts		20,441,800	20,877,400	21,322,300	21,776,700	22,240,800
Transferred from Crest Forest FPD	4,810,260					
Transferred from Arrowbear Park	320,610					
Transferred from Running Springs	1,703,594					
Transferred from County Fire	12,354,345					
Total 2014-15 Costs	19,188,809					
Growth Rate	2.13%					
Capital Outlay						
TOTAL	\$ 19,188,800	\$ 20,441,800	\$ 20,877,400	\$ 21,322,300	\$ 21,776,700	\$ 22,240,800
Department Personnel	-	-	-	-	-	-

NON-DEPARTMENTAL

Item Detail and Assumptions	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Supplies and Services						
LAFCo Fees	\$ 6,000	\$ 6,300	\$ 6,400	\$ 6,500	\$ 6,600	\$ 6,700
14-15 Cost	6,000					
Growth Rate	2.1%					
Insurance	400,000	426,100	435,200	444,500	454,000	463,700
2015 Cost	400,000					
Growth Rate	2.1%					
IT Support Contract	100,000	109,300	112,600	116,000	119,500	123,100
2015 Cost	100,000					
Growth Rate	3.0%					
City Hall Rent, Utilities, Maintenance	37,500	41,000	42,200	43,500	44,800	46,100
Gross Rent/sf/mo	\$ 2.50					
Gross Leaseable Area	10,000					
Expense Ratio (Utilities, Janitorial, Etc.)	50%					
2015 Cost	37,500					
Growth Rate	3.0%					
Capital Outlay						
TOTAL	\$ 543,500	\$ 582,700	\$ 596,400	\$ 610,500	\$ 624,900	\$ 639,600
Department Personnel	-	-	-	-	-	-

Source: City of Big Bear Lake Operating Budget, 2014-15

DISTRICT BREAKDOWN

General Districts

- Rim of the World P&R
- CSA 70 D-1
- Crest Forest FPD
- SBCFPD Mountain Service Zone
- SBCFPD - Lake Arrowhead Ambulance
- SBCFPD - PM1 Lake Arrowhead Paramedic

Road Districts

- CSA 18
- CSA 54
- CSA 59
- CSA 68
- CSA 69
- CSA 70 R-13
- CSA 70 R-16
- CSA 70 R-2
- CSA 70 R-22
- CSA 70 R-23
- CSA 70 R-35
- CSA 70 R-4
- CSA 70 R-40
- CSA 70 R-44
- CSA 70 R-46
- CSA 70 R-7
- CSA 70 R-9
- CSA 70 Zone CG
- CSA 79 R-1

Water and Sewer Districts

- CSA 79
- Arrowbear Park CWD
- CLAWA
- Crestline SD
- Crestline Village WD
- Lake Arrowhead CSD
- Running Springs WD

**Rim of the World
(No Hilltop)**

Feasibility Analysis Spreadsheets

GENERAL FUND SUMMARY

	Annual City Operating Budget					
	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (5,050,300)	\$ (10,485,100)	\$ (16,191,400)	\$ (22,399,000)
Revenues by Source						
Property Taxes	1,185,000	1,259,300	1,283,000	1,307,800	1,332,500	1,358,300
Sales Taxes	1,140,200	1,214,600	1,240,500	1,266,900	1,293,900	1,321,500
Property Transfer Taxes	116,200	128,500	131,700	135,000	138,300	141,800
Transient Occupancy Taxes	800,300	852,600	870,800	889,300	908,300	927,600
Off Highway License Subvention	1,400	1,400	1,500	1,500	1,500	1,500
Animal Control Fees	103,300	123,400	130,900	138,900	147,300	156,300
Fines & Forfeitures	50,800	53,500	54,000	54,600	55,100	55,700
Franchise Fees	602,300	620,600	626,800	633,000	639,400	645,700
Community Development Fees	917,300	1,002,400	1,032,500	1,063,600	1,095,400	1,128,300
Public Works Fees	120,000	131,200	135,100	139,200	143,400	147,600
Interest Earnings	-	-	-	-	-	-
Total	\$ 5,036,800	\$ 5,387,500	\$ 5,506,800	\$ 5,629,800	\$ 5,755,100	\$ 5,884,300
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	590,400	569,700	650,300	604,400	688,600	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	268,200	291,200	300,000	309,100	318,400	328,000
Finance	425,100	450,400	463,900	477,700	492,000	506,900
Community Development	928,700	1,282,600	1,312,800	1,344,100	1,376,000	1,309,100
Public Works	842,700	908,300	935,000	962,300	990,600	1,019,500
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	3,966,200	4,735,800	5,024,200	5,330,200	5,654,800	5,999,200
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	802,000	935,000	984,000	1,022,000	1,075,000	1,108,000
Reserve Fund (25% of Expenditures)	2,006,000	154,200	121,800	95,600	133,900	81,900
Total	\$ 10,832,100	\$ 10,437,800	\$ 10,941,600	\$ 11,336,100	\$ 11,962,700	\$ 12,271,600
Net Revenue / (Deficit)	(5,795,300)	(5,050,300)	(5,434,800)	(5,706,300)	(6,207,600)	(6,387,300)
Ending Fund Balance	\$ (5,795,300)	\$ (5,050,300)	\$ (10,485,100)	\$ (16,191,400)	\$ (22,399,000)	\$ (28,786,300)

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,697,500)	\$ (1,740,000)	\$ (1,784,500)	\$ (1,830,100)
Revenues by Source						
Gas Tax (Sec. 2105)	1,400	1,400	1,500	1,500	1,500	1,500
Gas Tax (Sec. 2106)	132,700	136,700	138,100	139,500	140,900	142,300
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	5,000	5,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 264,500	\$ 268,500	\$ 271,000	\$ 272,400	\$ 273,800	\$ 275,200
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,572,800)	(1,697,500)	(1,740,000)	(1,784,500)	(1,830,100)	(1,876,800)
Ending Fund Balance	\$ (1,572,800)	\$ (1,697,500)	\$ (3,437,500)	\$ (3,524,500)	\$ (3,614,600)	\$ (3,706,900)

CSA/SPECIAL DISTRICT ANALYSIS

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	7,348,500				
Road	-	1,177,700				
Water and Sewer	-	13,541,500				
Total	\$ -	\$ 22,067,700				
Beginning Fund Balance	\$ -	\$ 22,067,700	\$ 21,222,100	\$ 20,459,900	\$ 19,683,100	\$ 18,887,300
Dissolved District Revenues						
Property Taxes from Dissolved Districts	15,941,000	16,940,300	17,265,000	17,596,300	17,934,300	18,279,000
Fees for Services						
General	7,148,500	7,615,300	7,777,600	7,943,300	8,112,600	8,285,500
Road Districts	1,003,400	1,068,900	1,091,700	1,115,000	1,138,800	1,163,100
Water and Sewer Districts	15,052,600	16,035,600	16,377,300	16,726,300	17,082,700	17,446,700
Interest Earnings	-	69,000	66,300	64,000	61,500	59,000
Total	\$ 39,145,500	\$ 41,729,100	\$ 42,577,900	\$ 43,444,900	\$ 44,329,900	\$ 45,233,300
Dissolved Districts Expenditures						
Fire Protection	16,560,100	17,641,500	18,017,400	18,401,400	18,793,500	18,793,500
Other Operating Expenditures						
General	7,355,300	7,835,600	8,002,600	8,173,100	8,347,300	8,525,200
Road Districts	986,700	1,051,100	1,073,500	1,096,400	1,119,800	1,143,700
Water and Sewer Districts	13,274,600	14,141,500	14,442,900	14,750,700	15,065,000	15,386,000
Debt Service	2,762,200	1,905,000	1,803,700	1,800,100	1,800,100	1,800,100
Total	\$ 40,938,900	\$ 42,574,700	\$ 43,340,100	\$ 44,221,700	\$ 45,125,700	\$ 45,648,500
Net Revenue / (Deficit)	(1,793,400)	(845,600)	(762,200)	(776,800)	(795,800)	(415,200)
Ending Fund Balance	\$ (1,793,400)	\$ 21,222,100	\$ 20,459,900	\$ 19,683,100	\$ 18,887,300	\$ 18,472,100

2014 POPULATION ESTIMATES

Jurisdiction	Total	%
San Bernardino County	2,085,669	100.0%
<i>Incorporated Cities</i>	<i>1,788,244</i>	<i>85.2%</i>
San Bernardino	212,721	10.2%
Fontana	202,177	9.7%
Rancho Cucamonga	172,299	8.3%
Ontario	167,382	8.0%
Victorville	120,590	5.8%
Rialto	101,429	4.9%
Hesperia	91,506	4.4%
Chino	81,747	3.9%
Chino Hills	76,131	3.7%
Upland	75,147	3.6%
Apple Valley	70,755	3.4%
Redlands	69,882	3.4%
Highland	54,033	2.6%
Colton	53,057	2.5%
Yucaipa	52,654	2.5%
Montclair	37,374	1.8%
Adelanto	32,511	1.6%
Twentynine Palms	26,576	1.3%
Loma Linda	23,614	1.1%
Barstow	23,292	1.1%
Yucca Valley	21,053	1.0%
Grand Terrace	12,285	
Big Bear Lake	5,121	0.2%
Needles	4,908	0.2%
<i>Unincorporated</i>	<i>297,425</i>	<i>14.3%</i>
Rim of the World (Without Hilltop)	23,448	1.1%

Sources: California Department of Finance and ESRI Business Analyst

POPULATION FORECAST

	Base Year					
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
RSG Estimated Growth Rate (1%)	23,448	24,158	24,400	24,644	24,891	25,139
Growth Rates						
US Census Figures, 2000-2010	-0.83%					
ESRI Business Analyst Estimates, 2010-14	1.25%					
ESRI Business Analyst Estimates, 2014-19	2.48%					

ASSESSED VALUE FORECAST

	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
<i>Lake Arrowhead AV</i>						
Prior Year AV Plus 2.00%	3,932,379,712	4,173,075,000	4,256,536,500	4,341,667,200	4,428,500,500	4,517,070,500
Prior Year Unsecured AV Plus 0.00%	41,719,123	41,719,100	41,719,100	41,719,100	41,719,100	41,719,100
Cedar Glen RDA Adjustment	(64,654,548)	(80,117,225)	(85,478,981)	(90,947,971)	(96,526,342)	(102,216,280)
Projected New Residential Value		21,912,000	22,680,600	23,481,500	24,305,800	25,163,800
Total	3,909,444,287	4,156,588,875	4,235,457,219	4,315,919,829	4,397,999,058	4,481,737,120
<i>Crest Forest AV</i>						
Prior Year AV Plus 2.00%	1,079,350,700	1,145,419,200	1,168,327,600	1,191,694,200	1,215,528,100	1,239,838,700
Prior Year Unsecured AV Plus 0.00%	7,371,836	7,371,800	7,371,800	7,371,800	7,371,800	7,371,800
Total	1,086,722,536	1,152,791,000	1,175,699,400	1,199,066,000	1,222,899,900	1,247,210,500
<i>Hilltop AV</i>						
Prior Year AV Plus 2.00%	798,241,682	847,099,800	864,041,800	881,322,600	898,949,100	916,928,100
Prior Year Unsecured AV Plus 0.00%	10,813,169	10,813,200	10,813,200	10,813,200	10,813,200	10,813,200
Total	809,054,851	857,913,000	874,855,000	892,135,800	909,762,300	927,741,300
<i>ROTW AV</i>						
Prior Year AV Plus 2.00%	5,805,221,674	6,167,292,875	6,286,011,619	6,407,121,629	6,530,661,258	6,656,688,920
<i>ROTW Without Hilltop AV</i>						
Prior Year AV Plus 2.00%	4,996,166,823	5,309,379,875	5,411,156,619	5,514,985,829	5,620,898,958	5,728,947,620

Source: County Assessor's 2014-15 Secured and Unsecured Tax Rolls

TRANSIENT OCCUPANCY TAX

	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
<i>Lake Arrowhead TOT</i>						
Prior Year TOT Plus 2.13%	725,600	773,000	789,500	806,300	823,500	841,000
<i>Crest Forest TOT</i>						
Prior Year TOT Plus 2.13%	74,700	79,600	81,300	83,000	84,800	86,600
<i>Hilltop TOT</i>						
Prior Year TOT Plus 2.13%	24,400	25,900	26,500	27,100	27,700	28,300
<i>ROTW TOT</i>						
Prior Year TOT Plus 2.13%	824,700	878,500	897,300	916,400	936,000	955,900
<i>ROTW Without Hilltop TOT</i>						
Prior Year TOT Plus 2.13%	800,300	852,600	870,800	889,300	908,300	927,600

Source: Hotel Transient Occupancy Tax - Unincorporated Communities, 2013-14 Fiscal Year

PROPERTY TRANSFER TAXES

		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Total Property Sales (2013-14)	\$ 234,963,329						
2013-14 Transfer Tax (Co. Share)	258,460						
(\$1.10 / \$1,000 transferred, will be split in half with incorporation)							
Projected Turnover							
Residential Resale Volume		\$ 211,300,000	\$ 233,600,000	\$ 239,400,000	\$ 245,400,000	\$ 251,500,000	\$ 257,800,000
Projected Existing Housing Stock		19,311	19,500	19,600	19,700	19,800	19,900
Turnover Rate	5.0%	1,000	1,000	1,000	1,000	1,000	1,000
Median Resale Price (2013-14)	\$ 189,000	\$ 211,300	\$ 233,600	\$ 239,400	\$ 245,400	\$ 251,500	\$ 257,800
Appreciation Rate (2014)	11.8%						
Appreciation Rate (2015)	5.2%						
Appreciation Rate (Later Yrs)	2.5%						
Property Transfer Taxes (Projected)	\$	116,200	\$ 128,500	\$ 131,700	\$ 135,000	\$ 138,300	\$ 141,800

Sources: ESRI Business Analyst and CoreLogic's MetroScan Database

Note: For estimating purposes only, all new growth put into Lake Arrowhead SubArea

ESTIMATED 2014-015 AUDITOR'S RATIO

	2014-15 Adopted Budget Figures	
	General	Total
Taxes (Excluding Property Tax)	282,843,627	
1991 Realignment	209,149,972	
2011 Realignment	304,905,462	
State, Federal, or Government Aid	1,573,072,710	
Fee/Rate	893,328,166	
Other Revenue	122,895,072	
Subtotal	\$ 3,386,195,009	\$ -
Property Taxes	450,800,000	450,800,000
Total	\$ 3,836,995,009	\$ 450,800,000
Estimated Auditor's Ratio	11.7488%	

Source: San Bernardino County Budget, 2014-15

PROPERTY TAX SHARE TRANSFER

	Annual Net Costs for ROTW		
	Cost	Revenue	Net Cost
Net Cost of Services Transferred from County			
Planning	\$ 52,900	\$ 52,900	\$ -
Building & Safety	454,196	454,196	-
Public Works	8,330,211	2,852,473	5,477,738
Code Enforcement	152,984	152,984	-
Animal Control	224,573	82,953	141,619
Fire Protection	-	-	-
Law Enforcement (Sheriff)	3,966,189	-	3,966,189
Total	\$ 13,181,053	\$ 3,595,506	\$ 9,585,547
Auditor's Ratio /1			11.7488%
Base Year Property Tax Revenue Transfer to Town (2013-14)			\$ 1,126,187
Property Tax Revenue Adjustment for AV Growth			
Assessed Value, 2014-15			4,996,166,823
Assessed Value, 2017-18			5,309,379,875
Change in AV from Year One to Year Five			6%
Property Tax Revenue Adjusted for AV Growth			1,196,788
Property Tax Share Computation			
Projected Assessed Value - Year Five			4,996,166,823
General Tax Levy (1% of Assessed Value)			49,961,668
Property Tax Revenue Adjusted for AV Growth			1,196,788
Property Tax Share to Town			2.395%

Note: The cost and revenue data shown above is the same as it is in the scenario where Hilltop is included. This is because the County only provided data for the scenario where all three communities are part of the incorporation. As such, RSG elected to leave the data unchanged, due to the difficulty of determining which costs and revenues are specific to the Hilltop area.

Source: San Bernardino County

PROPERTY TAXES

		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Property Taxes	2.395%	\$ 1,197,000	\$ 1,272,000	\$ 1,296,000	\$ 1,321,000	\$ 1,346,000	\$ 1,372,000
Less: County Admin. Fee	-1.00%	<u>(12,000)</u>	<u>(12,700)</u>	<u>(13,000)</u>	<u>(13,200)</u>	<u>(13,500)</u>	<u>(13,700)</u>
Net Property Tax		1,185,000	1,259,300	1,283,000	1,307,800	1,332,500	1,358,300
 TOTAL		 \$ 1,185,000	 \$ 1,259,300	 \$ 1,283,000	 \$ 1,307,800	 \$ 1,332,500	 \$ 1,358,300

Source: San Bernardino County

SALES TAXES

	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
No Hilltop Adjustment Factor	84.67%					
Prior Year Sales Tax Plus 2.1%	1,053,100	1,121,800	1,145,700	1,170,100	1,195,000	1,220,500
Unallocated Sales Tax Adjustment Estim	87,100	92,800	94,800	96,800	98,900	101,000
Total Sales Tax	1,140,200	1,214,600	1,240,500	1,266,900	1,293,900	1,321,500

Note: California Department of Finance estimates that the Economic Recovery Bonds that require the California State "Triple-Flip" sales tax split will be retired by the time of incorporation.

Source: San Bernardino County, Historical Sales Tax by Quarter

ADJUSTMENT TO TAXABLE SALES REVENUE ESTIMATE

Taxable Sales by Jurisdiction (Reported in Thousands of Dollars)	California ¹	San Bernardino County ¹	ROTW ²
Direct Allocation of Total Taxable Sales (000's)			
Q4, 2013	\$ 138,584,504	\$ 7,569,103	26,322
Q3, 2013	131,397,016	6,939,458	27,980
Q2, 2013	130,550,316	6,919,273	26,156
Q1, 2013	120,647,708	6,512,756	22,004
Total	521,179,544	27,940,590	102,462
Study Area Share of Direct Allocations	0.0197%	0.3667%	
Indirect Allocation of Total Taxable Sales (000's)			
Q4, 2013	130,255	924,835	
Q3, 2013	66,522	766,695	
Q2, 2013	90,113	793,795	
Q1, 2013	76,111	751,908	
Total	232,746	2,312,398	
Times: Study Area Share of Direct:	0.0197%	0.3667%	
Study Area Indirect Allocations	46	8,480	
Total			8,526
Total Adjusted Taxable Sales (in thousands)			110,988

¹ Quarterly Taxable Sales Reports (Table 2) and State Board of Equalization

² San Bernardino County LAFCO

OTHER REVENUES

		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Off-Highway Vehicle License Subvention		1,400	1,400	1,500	1,500	1,500	1,500
SCO Per Capita (2014-15)	0.06						
Growth Rate	0%						
Franchise Fees		602,300	620,600	626,800	633,000	639,400	645,700
Per Capita Base Year Estimate (14-15)	25.69						
Growth Rate	0.0%						
Fines & Forfeitures		50,800	53,500	54,000	54,600	55,100	55,700
Per Capita	2.17						
Growth Rate	2.1%						
2014-15 Gas Tax (to Road Fund)							
Gas Tax (Sec. 2103) Per Capita	12.93	303,200	312,400	315,500	318,700	321,900	325,100
Gas Tax (Sec. 2105) Per Capita	5.94	139,300	143,600	145,000	146,500	147,900	149,400
Gas Tax (Sec. 2106) Per Capita	5.66	132,700	136,700	138,100	139,500	140,900	142,300
Gas Tax (Sec. 2107) Per Capita	7.88	184,800	190,400	192,300	194,200	196,200	198,100
Gas Tax (Sec. 2107 - Snow Removal)	125,380	125,400	125,400	125,400	125,400	125,400	125,400
Growth Rate	0%						
Gas Tax (Sec. 2107.5)	Fixed Pmt	5,000	5,000	6,000	6,000	6,000	6,000
Projected Population		23,448	24,158	24,400	24,644	24,891	25,139

Sources: San Bernardino County and City of Big Bear Lake Operating Budget, 2014-15

FEES FOR SERVICES

		Base Year						
		2014-15	2017-18	2018-19	2019-20	2020-21	2021-22	
Community Development Fees		\$ 917,300	\$ 1,002,400	\$ 1,032,500	\$ 1,063,600	\$ 1,095,400	\$ 1,128,300	
14-15 Cost for Services	\$ 917,300							
% of Costs Offset	100.00%							
Public Works Fees		120,000	131,200	135,100	139,200	143,400	147,600	
14-15 Cost for Services	\$ 744,700							
% of Costs Offset	16.12%							
Animal Control Fees		103,300	123,400	130,900	138,900	147,300	156,300	
14-15 Cost for Services	\$ 279,700							
% of Costs Offset	36.94%							
TOTAL		\$ 1,140,600	\$ 1,257,000	\$ 1,298,500	\$ 1,341,700	\$ 1,386,100	\$ 1,432,200	

REVENUE NEUTRALITY CALCULATIONS

2014-15 Estimates

Revenue Transferred		
Property Tax	\$	1,126,187
Sales Tax		832,407
Property Tax In Lieu		277,469
Property Transfer Tax		129,229.83
Fines & Forfeitures (Cost Offset)		-
Franchise Fees		<u>26</u>
Total Revenue Loss to County	\$	(2,365,318)

Expenses Transferred (Net of Revenue Offsets)		
Planning		-
Building & Safety		-
Engineering		5,477,738
Animal Control		141,619
Fire Protection		-
Law Enforcement (Sheriff)		<u>3,966,189</u>
Total Expenditure Reduction		9,585,547
County Property Tax Admin. Fee of 1.00%		<u>11,262</u>
Net Revenue Impact to County - Positive/(Negative)	\$	7,231,490
Potential Revenue Neutrality Payment		Zero

PERSONNEL COSTS

Department	ROTW (Proposed)		
	Salary	Positions	Total Salary
Administrative			
City Manager	221,000	1.00	221,000
City Clerk/Administrative Analyst	64,958	1.00	64,958
Chief Operations Officer	142,500	0.35	49,875
Permit-License Specialist	55,037	0.10	5,504
Administrative Clerk	38,189	1.00	38,189
Dept. Benefits Ratio	35%		132,834
Human Resources			
Chief Operations Officer	142,500	0.50	71,250
Senior Human Resources Specialist	76,086	1.00	76,086
Administrative Assistant	47,611	1.00	47,611
Dept. Benefits Ratio	35%		68,232
Finance			
Chief Operations Officer	142,500	0.05	7,125
Finance Supervisor	87,256	1.00	87,256
Office Specialist	30,000	1.00	30,000
Accountant	60,798	2.00	121,597
Accounting Technician	54,870	1.00	54,870
Dept. Benefits Ratio	35%		105,297
Public Works/Engineering			
Director of Public Works	123,000	1.00	123,000
Chief Operations Officer	142,500	0.10	14,250
Associate Engineer	87,256	2.00	174,512
Crew Leader - Street Maintenance	51,397	1.00	51,397
Crew Leader - Facilities/Parks	51,397	1.00	51,397
Maintenance Worker II - Street Maintenance	46,259	4.00	185,037
Maintenance Worker - Facilities/Parks	37,960	2.00	75,920
Mechanic II	64,875	1.00	64,875
Administrative Assistant	47,611	1.00	47,611
Dept. Benefits Ratio	35%		275,800

Community Development			
Community Development Director	130,750	1.00	130,750
City Planner	96,158	1.00	96,158
Principal Planner	83,450	1.00	83,450
Associate Planner	75,858	1.00	75,858
Senior Code Compliance Officer	66,082	1.00	66,082
Code Compliance Officer	52,707	1.00	52,707
Senior Plans Examiner	77,293	1.00	77,293
Permit-License Specialist	55,037	0.90	49,533
Administrative Assistant	47,611	1.00	47,611
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Dept. Benefits Ratio	35%		237,805

TOTAL STAFF	33.00	\$ 819,967
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City Attorney		
Total Estimated Contract Services and Contract		154,000

Law Enforcement		
Total Estimated County Contract		4,939,214

Animal Control		
Total Estimated County Contract		279,700

TOTAL PERSONNEL (INCLUDING CONTRACTED STAFF)		6,192,881
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Note: Although this staffing structure is modeled after the City of Big Bear Lake's, significant changes have been made to adapt it to ROTW's own unique circumstances. These changes include the dissolution, creation, and consolidation of various departments, the elimination or addition of various positions, and minor changes to time allocation.

Source: City of Big Bear Lake 2014-15 Operating Budget and 2014-15 Salary Schedule

CITY COUNCIL

Item Detail and Assumptions	Annual City Operating Budget					
	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
City Council Stipends	\$ 24,600	\$ 24,600	\$ 24,600	\$ 24,600	\$ 24,600	\$ 24,600
Supplies & Services						
Office Expenses		500	500	500	600	600
2015 Cost	500					
Growth Rate	2.1%					
Travel & Memberships		500	500	500	600	600
2015 Cost	500					
Growth Rate	2.1%					
Capital Outlay						
 TOTAL	 \$ 25,600	 \$ 25,600	 \$ 25,600	 \$ 25,800	 \$ 25,800	 \$ 25,800
Department Personnel	-	-	-	-	-	-

Source: Big Bear Lake 2014-15 Operating Budget

Item Detail and Assumptions	Annual City Operating Budget					
	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Supplies & Services						
Contract with Law Firm	\$ 154,000	\$ 168,300	\$ 173,300	\$178,500	\$183,900	\$189,400
2015 Cost	154,000					
Base Cost Growth Rate	3.0%					
Capital Outlay						
 TOTAL	 \$ 154,000	 \$ 168,300	 \$ 173,300	 \$178,500	 \$183,900	 \$189,400
<hr/>						
Department Personnel	-	-	-	-	-	-

Source: City of Big Bear Lake Operating Budget, 2014-15

CITY MANAGER

Item Detail and Assumptions		Annual City Operating Budget					
		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures							
Salaries & Benefits							
City Manager		\$ 298,400	\$ 326,100	\$ 335,900	\$346,000	\$356,400	\$367,100
2015 Cost	221,000						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
City Clerk/Administrative Analyst		87,700	95,800	98,700	101,700	104,800	107,900
2015 Cost	64,958						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Chief Operations Officer		67,300	73,500	75,700	78,000	80,300	82,700
2015 Cost	49,875						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Permit-License Specialist		7,400	8,000	8,200	8,400	8,700	9,000
2015 Cost	5,504						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Administrative Clerk		51,600	56,300	58,000	59,700	61,500	63,300
2015 Cost	38,189						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Supplies & Services							
Notices and Office Expenses		2,000	2,100	2,200	2,200	2,300	2,300
2015 Cost	2,000						
Growth Rate	2.1%						
Travel & Memberships		3,900	4,200	4,300	4,400	4,500	4,600
2015 Cost	3,925						
Growth Rate	2.1%						
Codification Services		10,000	2,800	2,900	3,000	3,100	3,200
2015 Cost	10,000						
Growth Rate	2.1%						
Elections		58,600	-	63,500	-	66,000	-
2015 Cost per Registered Voter	2.50						
Per Capita Costs	See Below						
Capital Outlay							
Computer Hardware & Software		3,500	900	900	1,000	1,000	1,000
2015 Cost	3,450						
Growth Rate	2.1%						
TOTAL		\$ 590,400	\$ 569,700	\$ 650,300	\$604,400	\$688,600	\$641,100
Department Personnel		3.45	3.45	3.45	3.45	3.45	3.45
Notes							
Projected Population		23,448	24,883	25,381	25,888	26,406	26,934

Source: City of Big Bear Lake Operating Budget, 2014-15

FINANCE

Item Detail and Assumptions		Base Year 2014-15	Annual City Operating Budget				
			2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures							
Salaries & Benefits							
Chief Operations Officer		9,600	\$ 10,500	\$ 10,800	\$ 11,100	\$ 11,400	\$ 11,700
2015 Cost	7,125						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Finance Supervisor		117,800	128,600	132,500	136,500	140,600	144,800
2015 Cost	87,256						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Office Specialist		40,500	44,300	45,600	47,000	48,400	49,900
2015 Cost	30,000						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Accountant		164,200	179,400	184,800	190,300	196,000	201,900
2015 Cost	121,597						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Accounting Technician		74,100	81,000	83,400	85,900	88,500	91,200
2015 Cost	54,870						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Supplies & Services							
Office Expenses		2,500	2,800	2,900	3,000	3,100	3,200
2015 Cost	2,500						
Growth Rate	2.1%						
Travel & Memberships		1,300	1,400	1,400	1,400	1,500	1,500
2015 Cost	1,300						
Growth Rate	2.1%						
Capital Outlay							
Office Equipment & Furnishings		5,100	1,300	1,400	1,400	1,400	1,500
2015 Cost	5,050						
Growth Rate	2.1%						
Replace. Cycle (Yrs)	5						
Financial Software		10,000	1,100	1,100	1,100	1,100	1,200
2015 Cost	10,000						
Growth Rate	2.1%						
TOTAL		\$ 425,100	\$ 450,400	\$ 463,900	\$ 477,700	\$ 492,000	\$ 506,900
Department Personnel		5.1	5.1	5.1	5.1	5.1	5.1

Source: City of Big Bear Lake Operating Budget, 2014-15

HUMAN RESOURCES

Item Detail and Assumptions	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Chief Operations Officer	\$ 96,200	\$ 105,200	\$ 108,400	\$ 111,700	\$ 115,100	\$ 118,600
2015 Cost	71,250					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Senior Human Resources Specialist	102,700	112,300	115,700	119,200	122,800	126,500
2015 Cost	76,086					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Administrative Assistant	64,300	70,200	72,300	74,500	76,700	79,000
2015 Cost	47,611					
Benefit/Salary Ratio	35%					
Growth Rate	3.0%					
Supplies & Services						
Office Expenses	2,500	2,800	2,900	3,000	3,100	3,200
2015 Cost	2,500					
Growth Rate	2.1%					
Capital Outlay						
Computer Hardware & Software	2,500	700	700	700	700	700
2015 Cost	2,500					
Growth Rate	2.1%					
TOTAL	\$ 268,200	\$ 291,200	\$ 300,000	\$ 309,100	\$ 318,400	\$ 328,000
Department Personnel	2.50	2.50	2.50	2.50	2.50	2.50

Source: City of Big Bear Lake Operating Budget, 2014-15

COMMUNITY DEVELOPMENT

Item Detail and Assumptions		Annual City Operating Budget					
		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures							
Salaries & Benefits							
Community Development Director		\$ 176,500	\$ 192,900	\$ 198,700	\$ 204,700	\$ 210,800	\$ 217,100
2015 Cost	130,750						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
City Planner		129,800	141,800	146,100	150,500	155,000	159,700
2015 Cost	96,158						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Principal Planner		112,700	123,200	126,900	130,700	134,600	138,600
2015 Cost	83,450						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Associate Planner		102,400	112,000	115,400	118,900	122,500	126,200
2015 Cost	75,858						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Senior Code Compliance Officer		89,200	97,500	100,400	103,400	106,500	109,700
2015 Cost	66,082						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Code Compliance Officer		71,200	77,800	80,100	82,500	85,000	87,600
2015 Cost	52,707						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Senior Plans Examiner		104,300	113,900	117,300	120,800	124,400	128,100
2015 Cost	77,293						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Permit-License Specialist		66,900	73,100	75,300	77,600	79,900	82,300
2015 Cost	49,533						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Administrative Assistant		64,300	70,200	72,300	74,500	76,700	79,000
2015 Cost	47,611						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Supplies & Services							
General Plan/EIR Preparation		-	275,000	275,000	275,000	275,000	-
Zoning Code Preparation		-	-	-	-	-	175,000
Office Expenses		2,500	2,800	2,900	3,000	3,100	3,200
2015 Cost	2,500						
Growth Rate	2.1%						
Capital Outlay							
Computer Hardware & Software		8,900	2,400	2,400	2,500	2,500	2,600
2015 Cost	8,900						
Growth Rate	2.1%						
Replace. Cycle (Yrs)	5						
Office Furnishings and Fixtures		-	-	-	-	-	-
TOTAL		\$ 928,700	\$ 1,282,600	\$ 1,312,800	\$ 1,344,100	\$ 1,376,000	\$ 1,309,100
Department Personnel							
		8.90	8.90	8.90	8.90	8.90	8.90

Source: City of Big Bear Lake Operating Budget, 2014-15

Item Detail and Assumptions		Annual City Operating Budget					
		Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures							
General							
Salaries & Benefits							
Director of Public Works		\$ 166,100	\$ 181,500	\$ 186,900	\$ 192,500	\$ 198,300	\$ 204,200
2015 Cost	123,000						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Chief Operations Officer		19,200	21,000	21,600	22,200	22,900	23,600
2015 Cost	14,250						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Associate Engineer		235,600	257,500	265,200	273,200	281,400	289,800
2015 Cost	174,512						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Crew Leader - Facilities/Parks		69,400	75,800	78,100	80,400	82,800	85,300
2015 Cost	51,397						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Maintenance Worker - Facilities/Parks		102,500	112,100	115,500	119,000	122,600	126,300
2015 Cost	75,920						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Mechanic II		87,600	95,700	98,600	101,600	104,600	107,700
2015 Cost	64,875						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Administrative Assistant		64,300	70,200	72,300	74,500	76,700	79,000
2015 Cost	47,611						
Benefit/Salary Ratio	35%						
Growth Rate	3.0%						
Supplies & Services							
NPDES Program Implementation		70,000	74,600	76,200	77,800	79,500	81,200
2015 Cost	70,000						
Growth Rate	2.1%						
AB 939 Solid Waste Program		12,400	13,600	14,100	14,500	15,000	15,400
2015 Cost per Resident	0.53						
Growth Rate	2.1%						
Office Expenses		2,500	2,800	2,900	3,000	3,100	3,200
2015 Cost	2,500						
Growth Rate	2.1%						
Computer Hardware & Software		13,100	3,500	3,600	3,600	3,700	3,800
2015 Cost	13,100						
Growth Rate	2.1%						
SUBTOTAL		\$ 842,700	\$ 908,300	\$ 935,000	\$ 962,300	\$ 990,600	\$ 1,019,500

Road Fund								
Crew Leader - Street Maintenance		69,400	75,800	78,100	80,400	82,800	85,300	
2015 Cost	51,397							
Benefit/Salary Ratio	35%							
Growth Rate	3.0%							
Maintenance Worker II - Street Maintenance		249,800	273,000	281,200	289,600	298,300	307,200	
2015 Cost	185,037							
Benefit/Salary Ratio	35%							
Growth Rate	3.0%							
Capital Outlay								
Road Maintenance, Snow Removal, & Snow Plow Equipment		1,518,100	1,617,200	1,651,700	1,686,900	1,722,800	1,759,500	
2014-15 Big Bear Comp Estimated Cost for Services	1,486,440							
Growth Rate	2.1%							
SUBTOTAL		\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000	
TOTAL		\$ 2,680,000	\$ 2,874,300	\$ 2,946,000	\$ 3,019,200	\$ 3,094,500	\$ 3,171,500	

Department Personnel	13.10	13.10	13.10	13.10	13.10	13.10	13.10
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Source: City of Big Bear Lake Operating Budget, 2014-15

ANIMAL CONTROL

Item Detail and Assumptions	Annual City Operating Budget					
	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Supplies & Services						
Contract with County Animal Control	\$ 279,700	\$ 334,000	\$ 354,300	\$375,900	\$398,800	\$423,100
2015 Cost	279,700					
Base Cost Growth Rate	3.0%					
TOTAL	\$ 279,700	\$ 334,000	\$ 354,300	\$375,900	\$398,800	\$423,100
Department Personnel	-	-	-	-	-	-

Source: County of San Bernardino

LAW ENFORCEMENT

Item Detail and Assumptions	Annual City Operating Budget					
	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Supplies & Services						
Contract with County Sheriff Department	\$3,966,200	\$4,735,800	\$5,024,200	\$5,330,200	\$5,654,800	\$ 5,999,200
2015 Cost	3,966,189					
Base Cost Growth Rate	3.0%					
TOTAL	\$3,966,200	\$4,735,800	\$5,024,200	\$5,330,200	\$5,654,800	\$ 5,999,200
Department Personnel	-	-	-	-	-	-

Source: City of Big Bear Lake Operating Budget, 2014-15

FIRE PROTECTION

Item Detail and Assumptions	Annual City Operating Budget					
	Base Year 2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Costs from Dissolved Districts		17,641,500	18,017,400	18,401,400	18,793,500	18,793,500
Transferred from Crest Forest FPD	4,810,260					
Transferred from County Fire	11,749,796					
Total 2014-15 Costs	16,560,056					
Growth Rate	2.13%					
Capital Outlay						
TOTAL	\$ 16,560,100	\$ 17,641,500	\$ 18,017,400	\$ 18,401,400	\$ 18,793,500	\$ 18,793,500
Department Personnel	-	-	-	-	-	-

NON-DEPARTMENTAL

Item Detail and Assumptions	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Department Expenditures						
Salaries & Benefits						
Supplies and Services						
LAFCo Fees	\$ 6,000	\$ 6,300	\$ 6,400	\$ 6,500	\$ 6,600	\$ 6,700
14-15 Cost	6,000					
Growth Rate	2.1%					
Insurance	400,000	426,100	435,200	444,500	454,000	463,700
2015 Cost	400,000					
Growth Rate	2.1%					
IT Support Contract	100,000	109,300	112,600	116,000	119,500	123,100
2015 Cost	100,000					
Growth Rate	3.0%					
City Hall Rent, Utilities, Maintenance	37,500	41,000	42,200	43,500	44,800	46,100
Gross Rent/sf/mo	\$ 2.50					
Gross Leaseable Area	10,000					
Expense Ratio (Utilities, Janitorial, Etc.)	50%					
2015 Cost	37,500					
Growth Rate	3.0%					
Capital Outlay						
 TOTAL	\$ 543,500	\$ 582,700	\$ 596,400	\$ 610,500	\$ 624,900	\$ 639,600
<hr/>						
Department Personnel	-	-	-	-	-	-

Source: City of Big Bear Lake Operating Budget, 2014-15

DISTRICT BREAKDOWN - NO HILLTOP

General Districts

- Rim of the World P&R
- CSA 70 D-1*
- Crest Forest FPD
- SBCFPD Mountain Service Zone
- SBCFPD - Lake Arrowhead Ambulance Activity
- SBCFPD - PM1 Lake Arrowhead Paramedic

Road Districts

- CSA 18*
- CSA 54
- CSA 59
- CSA 68
- CSA 69
- CSA 70 R-13
- CSA 70 R-16
- CSA 70 R-2
- CSA 70 R-22
- CSA 70 R-23
- CSA 70 R-35
- CSA 70 R-4
- CSA 70 R-40
- CSA 70 R-44
- CSA 70 R-46
- CSA 70 R-7
- CSA 70 R-9
- CSA 70 Zone CG
- CSA 79 R-1

Water and Sewer Districts

- Crestline SD
- Crestline Village WD
- Lake Arrowhead CSD

Comprehensive Fiscal Analysis For Olympic Valley in Placer County

Attachment 3

**COMPREHENSIVE FISCAL ANALYSIS OF THE PROPOSED INCORPORATION OF
THE TOWN OF OLYMPIC VALLEY**

PLACER COUNTY LOCAL AGENCY FORMATION COMMISSION

**JULY 24, 2015
DRAFT**



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INTRODUCTION

THE REPORT

This report presents the Comprehensive Fiscal Analysis (“CFA”) of the proposed incorporation of a new city in Placer County. Rosenow Spevacek Group, Inc. (“RSG”) prepared the report to assist the Placer Local Agency Formation Commission (“LAFCO”) in determining the fiscal feasibility of the incorporation of the Town of Olympic Valley (“Olympic Valley” and “Town”), and to review related potential impacts upon the County of Placer (“County”) and other agencies presently providing services to Olympic Valley.

This report is based on a thorough analysis of data provided by a variety of public agencies and stakeholders. It is organized by the following sections:

- The key findings are concisely presented in the Executive Summary with a more detailed explanation included in the Conclusion.
- The Background section provides an overview of the incorporation process and some of the important dates relating to the Olympic Valley incorporation.
- The Incorporation Proposal section discusses the details of the proposal for incorporation.
- The analysis performed by RSG is presented in the Growth and Development, Projected Revenues, and Projected Expenditures sections.
- The Impacts on Existing Agencies section discusses the transition year loan, possible revenue neutrality payments, and the provisional appropriations limit.
- Several alternatives considered are discussed in the Appendix 1.
- Appendices 2 through 5 are RSG’s revenue and cost analyses.

STUDY AREA DESCRIPTION

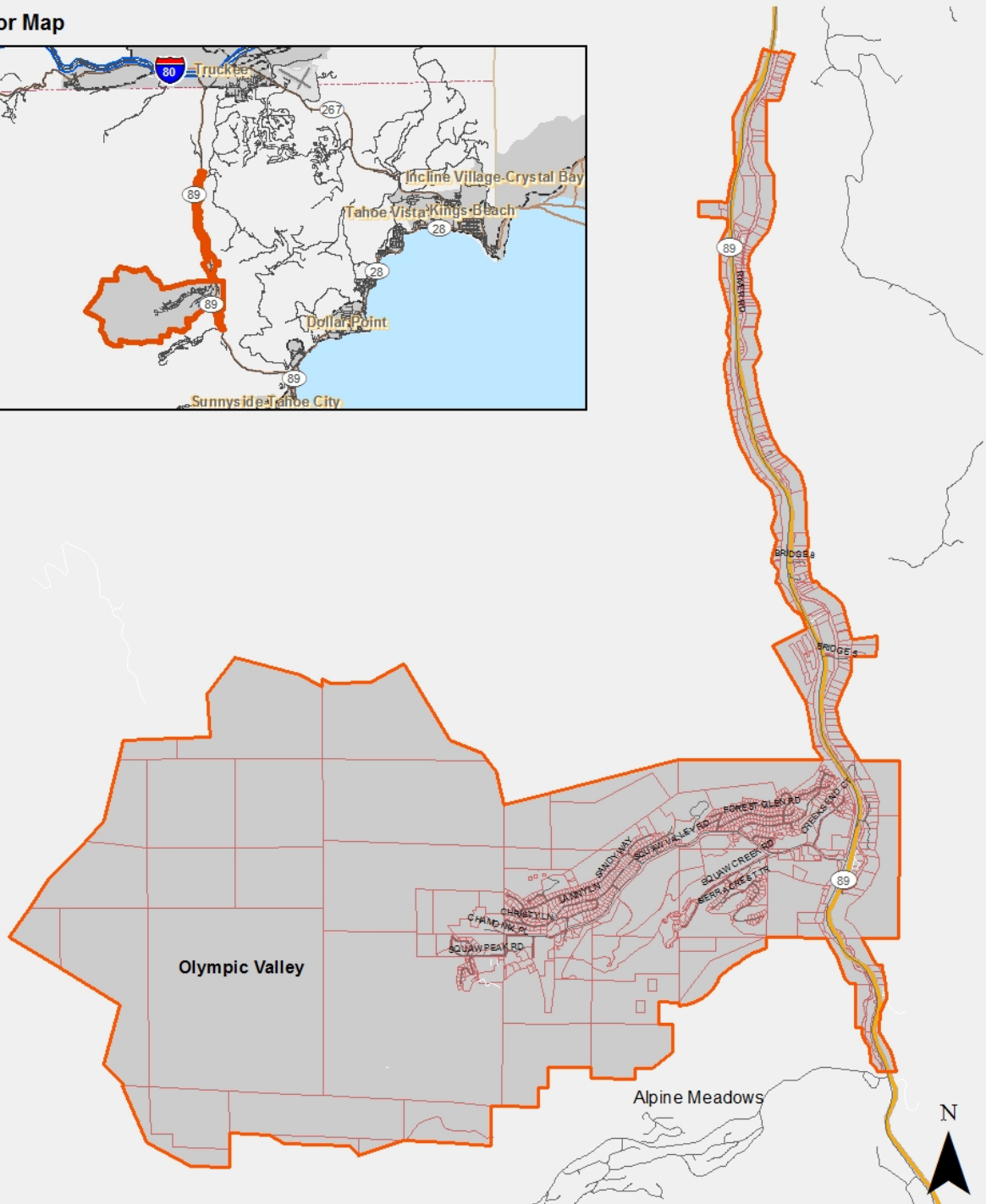
Olympic Valley is located in the Sierra Nevada Mountains, northwest of Tahoe City along California State Highway 89 on the banks of the Truckee River near Lake Tahoe. The area encompasses approximately 15 square miles with 943 permanent residents¹. It is home to the Squaw Valley Ski Resort, which was the site of the 1960 Winter Olympics. Olympic Valley experiences a dramatic influx of tourists during the ski season. During peak times, it is estimated that around 9,000 people stay overnight in the area², populating the hotels and vacation rentals. The daytime population can balloon to as much as 15,000 people. The area has a large number of private vacation homes in addition to the Squaw Valley Ski Resort and some smaller independently-owned lodging establishments to accommodate tourists.

¹ Based on ESRI Business Analyst estimates as of January 27, 2015

² RSG estimate based on data from Village at Squaw Valley Specific Plan Draft EIR

PROPOSED OLYMPIC VALLEY INCORPORATION BOUNDARY

Locator Map



0 0.3 0.6 1.2 1.8 2.4
Miles

Sources: ESRI and Placer County GIS Department

EXECUTIVE SUMMARY

This report provides a fiscal analysis of the proposed incorporation of Olympic Valley based on data collected from Placer County and various other public entities as well as independent research conducted by RSG. Results of the analysis show the following:

Based on the assumptions and analysis described herein, the Town's potential General Fund and Road Fund revenues materially exceed expenditures, exclusive of potential revenue neutrality payments and deposits into the reserve fund, in the forecast. However, when potential revenue neutrality payments and reserve fund deposits are factored in, incorporation does not appear to be feasible at this time. This conclusion is based on revenue neutrality terms and conditions that have not yet been established between the proponents for incorporation and the County, or by LAFCO should such negotiations fail. The Town's revenue neutrality payments may therefore differ from the estimates contained herein, which could affect feasibility of incorporation. If a revenue neutrality agreement, terms, and conditions are approved by the parties or established by LAFCO following the issuance of this Preliminary Draft, the Report and its findings shall be updated.

- RSG also determined that both of the alternatives to the proponents' incorporation scenario were not feasible:
 - **Alternative 1 – Selective Exclusion** considered a smaller geographic area that excluded parcels from the proposed Town limits, based on respective property owner requests received by the LAFCO Executive Officer. This Alternative is neither feasible nor fiscally superior to the proposed incorporation boundary because of the elimination of major revenue-generating uses and difficulty and inefficiency involved with providing services to different jurisdictions in a small and remote location.
 - **Alternative 2 – Dissolution of SVPSD** addresses a broadening of the incorporation proposal by dissolving and consolidating the Squaw Valley Public Service District, a special district providing fire, water, wastewater (sewer) and trash disposal services within its boundaries that are coterminous with the proposed Olympic Valley Town limits. This Alternative is found to have no significant beneficial effects on feasibility proposed new Town other than small potential cost savings through efficiencies.

BACKGROUND

LEGAL PROCESS AND REQUIREMENTS

LAFCOs are local agencies mandated by the State to:

- Encourage the Orderly Formation of Local Governmental Agencies;
- Preserve Agricultural Land Resources; and
- Discourage Urban Sprawl.

Developing a logical boundary for a newly incorporated city is of utmost importance to LAFCOs. To achieve this, LAFCOs may consider alternative boundaries or plans for services throughout an incorporation process. Additionally, LAFCOs are tasked with determining whether the incorporation of a proposed city is financially feasible and whether the transfer of assets from the county and other affected agencies will be adequately mitigated for any fiscal imbalance caused by the incorporation.

This incorporation was initiated when the Petition for the Incorporation of the Town of Olympic Valley was submitted to LAFCO on August 20, 2013 by the incorporation proponents (also known as “Incorporate Olympic Valley”). The LAFCO Executive Officer issued a Certificate of Sufficiency on September 12, 2013 certifying that a sufficient number of registered voters signed the petition and that it is valid. On December 19, 2013, the proponents have submitted an Incorporation Application and a Plan for Services.

After the Incorporation Application is submitted, the next step in the process is for the LAFCO Executive Officer to prepare, or cause to be prepared by contract, a CFA pursuant to Section 56800 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Sections 56000 through 57550 (“Act”), which establishes minimum procedures and requirements for incorporation proposals.

Pursuant to AB 2838 (Chapter 761, Statutes of 2000), the Governor’s Office of Planning and Research prepared A Guide to the LAFCO Process for Incorporations, October 2003 (“Guidelines”). The Guidelines “are advisory”³ include “detailed information and examples about the type of information that should be included in the comprehensive fiscal analysis”, and a “suggested process to address the legal requirement of ensuring that incorporations are revenue neutral”, as described later herein.

To supplement the Guidelines, LAFCOs may also adopt their own policies, procedures and regulations for incorporations, although no such incorporation policies, procedures and regulations have been adopted by Placer LAFCO.

The CFA serves as a basis for the LAFCO Executive Officer’s Report and Recommendation and Terms and Conditions, which will be considered by the LAFCO Board when making its decision on the incorporation proposal at a public hearing. The CFA will also serve as the basis for revenue neutrality negotiations between the proponents and County, which will occur prior to the public hearing on the incorporation. Following revenue neutrality negotiations, LAFCO may update the CFA and set an effective date of incorporation. Ultimately, the effective date of incorporation will depend on the successful processing of an incorporation application, subject to a protest hearing, and a majority approval by Olympic Valley registered voters.

IMPORTANT DATES AND TIMING OF THE INCORPORATION

Base Year

Pursuant to state law and LAFCO guidelines, this CFA presents a realistic forecast of operating revenues and expenditures for the new Town over a ten year period. Pursuant to Government Code Section 56800, “data used for the analysis shall be from the most recent fiscal year for which data are available, preceding the issuances of the certificate of filing.” Consequently, this CFA assumes that public review will begin in late July 2015 and a certificate of filing will be issued by LAFCO on or before that date.

RSG has developed this CFA using actual revenues and expenditures from the last completed fiscal year (2013-14), which is the “base year” of this forecast; in all cases base year data reflects 2013-14 actual costs, revenues and service levels. Some future contract cost estimates were based on 2014-15 figures provided by the County and other sources; however, we found that overall these 2014-15 costs and revenues to be materially consistent with base year actuals.

Should there be a delay in the incorporation process and issuance of the certificate of filing is pushed back, data from 2014-15 may become available. This would make 2014-15 the “most recent

³ A Guide to the LAFCO Process for Incorporations, October 2003, Governor’ Office of Planning and Research, page 1

fiscal year for which data is available.” In that instance, it is possible that this report would have to be updated to establish 2014-15 as the base year and utilize actual revenues and expenditures from that year instead. An updated base year can cause material changes to the findings and conclusions expressed in this Preliminary Draft Report.

Presumed Effective Date of Incorporation

The effective date of incorporation is established by LAFCO in the process of incorporation as mentioned earlier. For the purposes of this Report, provided all procedural actions are completed, including LAFCO approval and a successful election in early 2016, the effective date of incorporation for the Town of Olympic Valley has been assumed to be July 1, 2016.

The flow of revenues to the new Town is dependent upon the establishment of an effective date.

Transition Period

The transition period is the time between the effective date of the incorporation and the time when the new city must assume full service responsibility, in this case from July 1, 2016 to June 30, 2017. Some, but not all, future municipal revenues would begin to be collected by the Town during the transition period. The timing of receipt of these revenues is more of a factor of the applicable statutes that direct the apportionment of such revenues, rather than anything particular to Olympic Valley or the incorporation timing itself. No new city can collect all revenues immediately beginning on the effective date. In Olympic Valley, some General Fund revenues would not be collected fully, or at all, during the first year of incorporation. RSG has noted these exceptions in this Report.

During the transition year, the County would continue to be responsible for maintaining its current level of service for Olympic Valley. Costs to provide services which will eventually transfer to the new Town would be reimbursed by the Town over a five year period. The 12-month transition period would afford the Town the opportunity to select staff, initiate contracts for other services, and generally prepare for full assumption of municipal services in the following fiscal year.

METHODOLOGY AND DATA COLLECTION

Preparation of this CFA involves collection and analysis of data from various agencies, and extrapolating that information into a future service plan that would be different than what is employed today in the community. As the Guidelines state:

“Existing law does not provide an exact formula for establishing the first year’s expenditures for a new city. Budget projections are based on a series of judgement decision related to other established cities, past experience and the type and level of services. In addition, the level of services provided and the type of provider (either the new city or a contract entity) will impact the annual projection of cost. OPR recommends that LAFCO clearly identify the assumptions underlying the projection of costs. These projections can also be based on a review of the budgets of similarly sized cities.”⁴

RSG used such judgment and best practices in compiling data and developing our forecast of costs and revenues in this Report, as described below.

⁴ A Guide to the LAFCO Process for Incorporations, October 2003, Governor’ Office of Planning and Research, page 34

Collection of Data and Projections

Primary data sources for this CFA include the County, draft and adopted planning and financial documents created by the County, the Squaw Valley Public Services District, the Tahoe City Public Utilities District, the US Census, the Squaw Valley Ski Resort and other local businesses, Incorporate Olympic Valley, LAFCO, and ESRI Business Analyst. The following is a detailed schedule of the data requests sent:

December 1, 2014	LAFCO Executive Officer sends data requests to County Service Departments, the Squaw Valley Public Service District, the Squaw Valley Mutual Water District, the California Highway Patrol, County Sheriff, and CalFire requesting information on levels of service, costs, and future contracts. The same request was later forwarded to Tahoe City Public Utilities District.
December 8, 2014	On behalf of LAFCO Executive Officer, RSG sends data requests to the Placer County Auditor-Controller and Treasurer-Tax Collector. One piece of data requested was the Auditor's Ratio.
December 16, 2014	LAFCO Executive Officer sends data request to the State Board of Equalization for sales tax data.
February 9, 2015	On behalf of the LAFCO Executive Officer, RSG sends data request to the County Registrar asking for data on the number of registered voters in Olympic Valley.
February 19, 2015	On behalf of the LAFCO Executive Officer, RSG sends additional data request to County departments requesting updated actual costs and revenues for fiscal year 2013-14.

As LAFCO and RSG received data responses, each response was analyzed and assessed. LAFCO and RSG followed up with the various parties for questions, clarification, or additional data requests in order to understand the methodology used to derive submitted responses.

All data collected was used in conjunction with other data sources, best practices, and RSG staff knowledge from similar projects and communities. Future projections are based on historical growth, planned developments, and best estimates, and are intended to be realistic in nature. While RSG has made every effort to accurately ascertain service demands, costs, and any resulting revenues, a number of factors cannot be predicted including decisions that may be made by a future Town Council, regional or national economic impacts, changes to state or federal law, or natural disasters including long-term, extreme drought.

Use of Other City Budget Information in Developing this Report

The Guidelines advise LAFCO that budget projections can be based on a review of the budgets of similarly sized cities. Olympic Valley is, however, a unique community that experiences a dramatic fluctuation in its population due to tourism. Further, it is rural in nature but experiences a cost of housing similar to the highly urbanized Bay Area. Most small cities in California are not located in areas with large seasonal populations, and those that are may not necessarily have comparable employee salaries due to different costs of living. As such, RSG looked at different cities and exercised judgment in selecting the appropriate "comparable cities" depending on the nature of the cost (or revenue) involved. In each case, considerable effort was taken to ensure that the existing level of services was driving the selection of the assumption used.

THE INCORPORATION PROPOSAL

PLAN FOR SERVICES

Three entities currently provide most municipal services to Olympic Valley – the County, the Squaw Valley Public Service District (“SVPSD”), and the Tahoe City Public Utility District (“TCPUD”).

Existing Municipal Service - County of Placer

Excluding Countywide services such as public health, coroner, courts and other regional services not transferred due to incorporation, the County provides the following types of local municipal services in Olympic Valley:

- Law enforcement;
- Planning and building;
- Code enforcement;
- Engineering;
- Road maintenance;
- Parks and recreation services; and
- Animal control.

The County's local services are funded primarily through property taxes, sales taxes, transient occupancy taxes, property transfer taxes and fees for service.

Existing Municipal Service - SVPSD

The SVPSD is a special district that provides:

- Structural fire protection;
- Water;
- Wastewater (sewer); and
- Trash disposal services.

The SVPSD's services are funded through a share of the general property tax levy, and fees and charges for services.

Existing Municipal Service - TCPUD

The TCPUD is a special district that provides:

- Water service to 20 homes within the proposed boundary;
- Sewer collection services to 29 homes; and
- Maintenance on 7,283 feet of multi-use trail.

The TCPUD's services are funded through a share of the general property tax levy, and fees and charges for services. The TCPUD spends more money to provide the services outlined above than it collects in revenue in the same area. It is possible the TCPUD could realize some cost savings and create efficiencies by transferring some of their revenues and responsibilities to the new Town or the SVPSD. However, this report does not include an analysis of reorganization of the TCPUD because it was found to have little effect on feasibility. This action can still be pursued by LAFCO at another time if so desired.

Proposed Service Plan

Incorporation would affect the manner in which some, but not all, services are delivered to Olympic Valley. Upon incorporation, the County's local municipal service responsibility would transfer to the new Town, along with portions of revenue generated within the Town boundaries. This CFA assumes that the SVPSPD will continue to operate in its current capacity, although an alternative scenario is provided in Appendix 1, wherein the SVPSPD district is assumed to dissolve and the Town would absorb SVPSPD's responsibilities and assets. This CFA also assumes the TCPUD will continue to operate in its current capacity, however, the proposed Town will be responsible for an existing contract between the County and the TCPUD to provide trail maintenance. This is discussed further in the Public Works section.

The Plan for Services matrix in Figure 1 presents the proponent's submitted Plan for Services and RSG's assessment of current and future service responsibilities.

Figure 1 - Plan for Services, Proposed Incorporation

Public Service	Current Provider	Anticipated Provider	Level of Service
General Government	Placer County	New Town - Town Staff and Contract Services	Enhanced
Law Enforcement	Placer County	New Town - Contract with County	No Change
Traffic Control & Accident Investigation	California Highway Patrol	New Town - Contract with County	Enhanced
Animal Services	Placer County	New Town - Contract with County	No Change
Fire Protection/EMS	SVPSPD	SVPSPD	No Change
Fire Protection Acreage	Cal-Fire	New Town - Contract with Cal-Fire	No Change
Land Use Planning	Placer County	New Town - Town Staff and Contract Services	Enhanced
Building and Safety	Placer County	New Town - Contract with County	No Change
Code Enforcement	Placer County	New Town - Contract with County	No Change
Engineering	Placer County	New Town - Contract with County	No Change
Road Maintenance	Placer County	New Town - Contract with County	No Change
Snow Removal	Placer County	New Town - Contract with County	No Change
Parks & Recreation	Placer County	New Town - Contract with County	No Change
Domestic Water	SVPSPD & Squaw Valley Mutual Water	SVPSPD & Squaw Valley Mutual Water	No Change
Cable Television/Broadband Telecommunications	Suddenlink & AT&T	Suddenlink & AT&T	No Change
Solid Waste Collection/Disposal	Truckee Tahoe Sanitation District	Truckee Tahoe Sanitation District	No Change
Gas	Various Propane	Various Propane	No Change
Public Education	Tahoe Truckee School District	Tahoe Truckee School District	No Change
Library	Placer County	Placer County	No Change
Wastewater/Sanitation	SVPSPD	SVPSPD	No Change

FORM OF GOVERNMENT

The Town of Olympic Valley is assumed to be incorporated as a General Law City under the State Constitution. The proposed form of the new Town would be governed by the Town Council which would retain a Town Manager to be responsible for the day-to-day operations of the Town. Members of the Town Council would be elected at-large.

Assumed Municipal Organization

The proponent's application indicates that the Town is proposed as a "contract city", meaning that the Town would have limited permanent staff, and contract remaining services through public agencies and/or private consultants. Contracting services to reduce the number of full-time positions is a trend among newer cities looking to reduce annual expenses. Since 1970, nearly 85 percent of cities that incorporated have at least some portion of public services provided by contract rather than permanent employees⁵. One advantage contract cities have over cities that rely on permanent employees is the ability to scale quickly as service demands dictate. Although Olympic

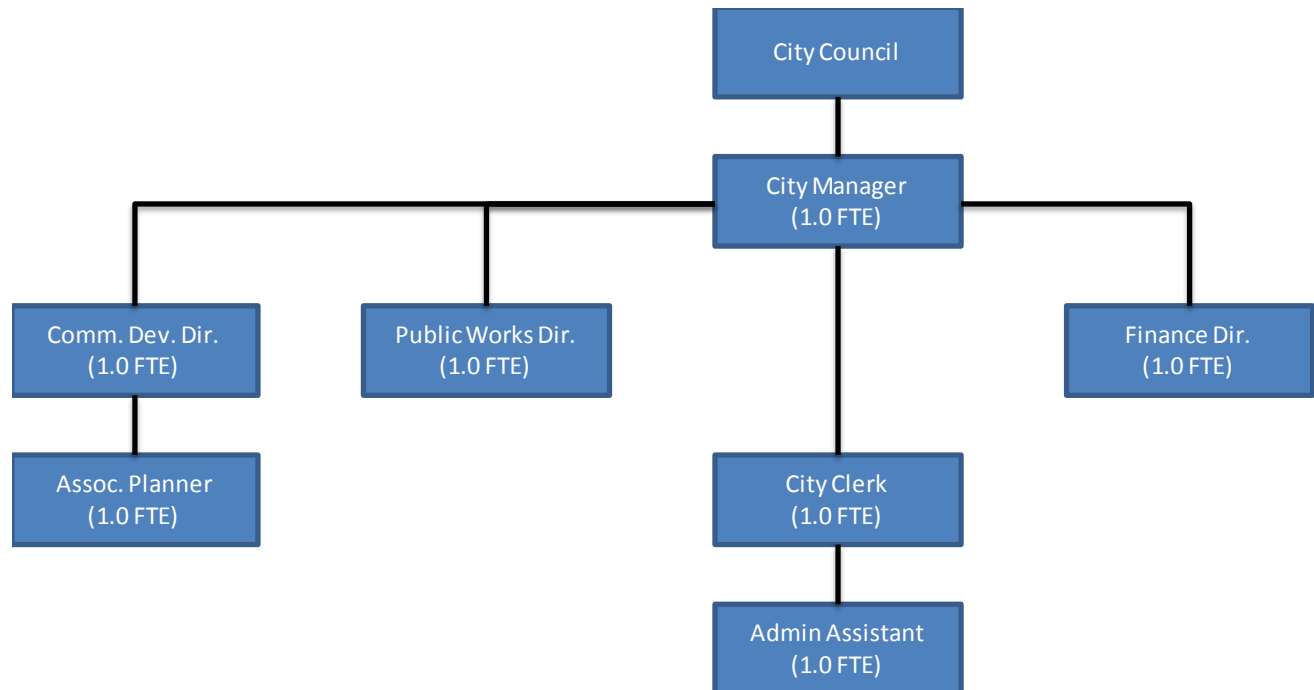
⁵ California Contract Cities Association

Valley at 943 permanent, year-round residents would seem to be one of the smallest cities in California, its seasonal population can be as high as 15,000⁶ people in a given day; therefore a contract service model can be especially useful in these types of communities.

The exact number of permanent employees and contract services is not known at this time, and would be established by the Town Council after incorporation. To project costs associated with service delivery, RSG estimated that the minimum number of staff needed to administer operations at their current level would be 7.0 full-time employee equivalents, with all other responsibilities to be provided by contract staff. Aside from one fully contract city with no permanent employees (Jurupa Valley), seven employees would make Olympic Valley's one of the smallest staffs in California, even smaller than many cities with similar full-time population. RSG took into consideration that a number of functions are not necessarily scalable to population size in order to function effectively; and even a "contract city" would typically need personnel dedicated to procure and manage these contractors and maintain a local presence.

Figure 2 presents a conceptual organizational chart of the proposed organization of Town staff, exclusive of services provided through contracts. Contract services would include building and code enforcement, engineering and surveying, planning services beyond those provided by full-time planning staff, community development technical support and Geographic Information Systems (GIS) support, city attorney services, payroll and auditing, parks and recreation staff support, animal control, law enforcement, road maintenance, and wildfire protection. Personnel titles were determined by RSG based on the function performed and nature of the work involved, in which we considered other cities of similar size and scale, seasonal communities, and other factors.

Figure 2 - Organizational Chart



Payroll costs for each position were based on RSG's February 4, 2015 survey of relatively small, nearby cities. When determining payroll costs, RSG prioritized geographically close cities within the same regional job market as Olympic Valley as they would compete for the same talent. Olympic

⁶ Per Village at Squaw Valley Specific Plan Draft EIR, which cited days with up to 14,625 skier visits, not including permanent residents, in recent years

Valley, like all cities, will need to offer competitive salary and benefits packages to attract capable employees. In some cases, personnel costs in Olympic Valley may be marginally higher than comparable cities outside the Tahoe Basin given the higher cost of housing in Olympic Valley. Note that County employees working in the Tahoe Basin receive a Tahoe Subsistence Pay stipend of \$775 per month to account for higher housing or commuting costs, according to a Memorandum of Understanding with its employee union.

Benefits were estimated in consultation with LAFCO Executive Officer and a survey of relatively small, nearby cities. According to this data, the average ratio of benefits to salary for the six cities surveyed was 38 percent. This number was adjusted down slightly to 35 percent for the smaller size of Olympic Valley. RSG's analysis of various compensation levels and benefit ratios is presented in Figure 3 below.

Figure 3 – Payroll Cost Comparison

Item Detail and Assumptions	Difference from Average	Proposed City Olympic Valley	Colfax	Placerville	Nevada City	Auburn	Angels Camp	Truckee
Total Population in 2014¹		943	2,055	10,389	3,087	13,580	3,748	16,942
City Employees								
<i>Total Number of Employees in 2013²</i>		7						
<i>Benefits Ratio</i>	-3%	35%	30%	48%	51%	20%	38%	38%
Permanent Employee Salaries & Benefits								
Management								
Town Manager	12,550	\$175,500	\$148,209	\$174,510	\$121,549	\$148,090	\$167,373	217,969
Town Clerk/Admin Support	(17,815)	\$67,500	\$49,245	\$89,724	\$73,268	\$66,809		147,530
Admin Assistant/Secretary	(7,537)	\$47,250	N/A	\$52,854	N/A	\$57,614		53,893
Finance								
Finance Director	(4,773)	\$121,500	N/A	\$123,290	N/A		\$129,256	
Community Development								
Community Development Director	(20,256)	\$121,500	\$116,969	\$141,476	N/A		\$129,256	179,324
Associate Planner	(11,341)	\$81,000	N/A	\$84,289	\$96,471	\$83,758		104,847
Public Works								
Public Works Director	(28,179)	\$121,500	N/A	N/A	\$101,653			197,704
Other Compensation								
Town Council Stipend	(300)	\$2,500	\$1,200	\$4,200	\$2,600	\$1,600	\$3,600	\$3,600
Contract Attorney	(2,438)	\$100,000	\$82,000	\$76,391	N/A	\$150,000	\$80,000	\$123,800

Note: Only directly employed personnel are included. "N/A" indicates that a position is either contracted, not explicitly provided, or covered via a stipend as opposed to a salary.

¹ ESRI Business Analyst

² California State Controller's Government Compensation in California Website

Sources: City Salary Schedules and Budgets for 2014-15

Pursuant to Government Code Section 56800(a)(1), a CFA should compare the estimated costs to provide services in the proposed city with the costs of cities with similar population, similar geographic size, and that provide a similar level and range of services. As discussed earlier, Olympic Valley would be a unique city given its small population and remote location, with a proposed service model focused largely on contracts. RSG reviewed the budgets and service models for the 30 smallest cities in California, but none of them could be defined as "similar" by strict interpretation of Section 56800(a)(1). In most cases, these small cities were significantly older, and contracted for very few services. However, in an effort to illustrate the wide range of service costs, RSG selected six cities throughout the State that exhibit one or more similarities to Olympic Valley, whether that be geographic size, population, or level of service. The vast discrepancies in service costs can be attributed to a number of factors, but most specifically, the individual budgets and needs of the cities, regional and national economic influences, and decades of decisions made by elected officials. These six cities are shown in Figure 4. Data for the six comparable cities was only available through FY 2013-14 but must be compared to Olympic Valley's 2017-18

expenditures. This must be taken into consideration when evaluating the data, but Olympic Valley's proposed budget is neither the highest nor the lowest of these cities.

Figure 4 - Comparison City Analysis

City County Fiscal Year Reviewed	Olympic Valley Placer 2017-18	Belvedere Marin 2013-14	Biggs Butte 2013-14	Colfax Placer 2013-14	Hidden Hills Los Angeles 2013-14	Irwindale Los Angeles 2013-14	Villa Park Orange 2013-14
Demographic Data							
Population	962	2,121	1,746	1,998	1,901	1,473	5,812
Service Data							
Class	General Law	General Law	General Law	General Law	General Law	Chartered	General Law
Service Area (Sq. Miles)	15	1	1	1	2	9	2
Year Incorporated	N/A	1896	1903	1910	1961	1957	1962
Fiscal Data							
Assessed Value	1,226,088,800	1,596,979,595	82,540,386	159,000,225	1,194,827,734	1,986,416,262	1,386,676,315
Sales Tax Rate	N/A	9%	8%	8%	9%	9%	8%
TOT Rate	10%	0%	0%	8%	0%	10%	none
Total Annual Revenues	5,302,429	6,554,189	5,510,428	4,807,374	1,969,826	19,841,857	3,902,698
Total Annual Expenditures	4,624,112	7,009,622	4,617,448	4,161,597	1,584,070	20,580,047	4,191,747
Services Provided							
General Government ¹	648,280	981,609	141,645	690,469	573,475	6,742,114	441,338
Public Safety ²	1,723,000	3,151,991	260,968	740,258	402,401	5,495,426	1,276,967
Transportation ³	858,342	1,327,968	623,576	222,840	42,709	39,708	1,422,821
Community Development ⁴	682,630	1,501,913	194,941	149,969	390,768	6,508,089	319,647
Health ⁵	-	-	797,975	2,311,980	73,301	1,604	672,458
Culture and Leisure ⁶	31,400	46,141	53,466	46,081	101,416	1,793,106	58,516
Utilities ⁷	-	-	2,544,877	-	-	-	-
Misc ⁸	680,460	-	-	-	-	-	-

Red = Contracted
Purple = City & Contracted

¹ Includes legislative, management and support services.

² Includes police, fire, emergency medical services, animal regulation, weed abatement, street lighting, disaster preparedness, and all other public safety services.

³ Includes streets, highways, storm drains, street trees/landscaping, parking facilities, public transit, airports, ports and harbor, and Measure F Infrastructure projects.

⁴ Includes planning, construction and engineering regulations, redevelopment, housing, employment, community promotion, and other community development services.

⁵ Includes physical and mental health services, hospitals and sanitariums, solid waste, sewers, cemeteries, and other services.

⁶ Includes parks and recreation, marinas and wharfs, libraries, museums, golf courses, sports arenas and stadiums, community centers and auditoriums and other public amenities.

⁷ Includes water, gas, electric and other public utility services.

⁸ Includes non-departmental expenditures, contingency, and transition year loan.

GROWTH AND DEVELOPMENT

POPULATION ESTIMATE

The Olympic Valley base population used in this CFA was calculated by drawing upon ESRI Business Analyst estimates, which estimated 2014 population by looking at 2010 Census data within the proposed City limits and forecasting outwards. The estimated permanent resident population of Olympic Valley on July 1, 2014 was 943. This differs from the population estimate from the draft Municipal Services Review (MSR) for the SVPSD, prepared by LAFCO, which calculated the population in 2012 to be 1,476, because the MSR projections were based on Census data for the 96146 zip code, which includes the Alpine Meadows area.

VILLAGE AT SQUAW VALLEY SPECIFIC PLAN

In December 2011, Squaw Valley Real Estate, LLC, submitted the proposed Village at Squaw Valley Specific Plan ("Specific Plan"), to guide development within the 93.51-acre Village at Squaw Valley area. The County is currently preparing a Program Environmental Impact Report to analyze the environmental impacts of implementation of the project, and the Draft EIR was made available to the public in May 2015. According to the April 2015 Draft of the Specific Plan, the following land uses may be developed:

- 208,583 square feet of additional non-specified commercial building area, net of an existing 85,510 square feet to be redeveloped;
- 850 units of residential uses, the majority of which are expected to be used as hotel or vacation rentals rather than permanent housing;
- 18 units of dormitory-style employee housing to accommodate 108 beds; and
- a 4,000 square foot transit center.

It is unknown what projects within the Specific Plan will in fact be constructed and completed, but based on one meeting with the developer last fall, RSG and the LAFCO Executive Officer were informed that the project would likely be built in phases over a 20-25 year timeframe. RSG sought more detailed information from the developer on the projects and phasing, but received minimal input.

According to the October 2014 draft Specific Plan:

“Development of the Plan Area may evolve in a variety of ways depending upon several factors. These include shifts in market demand for various housing types, and changes in the development goals and capabilities of property owners within the Plan Area. Development of the Plan Area is not phased by zone or region, but instead on an individual building by building basis. A detailed infrastructure schedule will define what infrastructure commitments will be necessary to accommodate and support the demands of each building as they are constructed. There is no set order by which buildings will be erected so as to properly align the pace of development with the rate of product absorption and to facilitate prudent capital/risk management. As existing facilities are displaced, appropriate temporary or replacement facilities will be established.”

RSG consulted with the County Planning officials as part of the effort to develop an absorption forecast for the development, since not all of the potential Specific Plan projects are anticipated to occur within the timeframe covered by this CFA. In addition, RSG consulted with the LAFCO Executive Officer and evaluated a September 23, 2014 “Draft Technical Memorandum” prepared for the SVPSP by Catherine Hansford of Hansford Economic Consulting (“HEC”). The purpose of the HEC “independent projection of revenue generation” was to help the SVPSP determine the impacts of the Specific Plan development on its revenues and expenses. The HEC forecast came to similar conclusions to the forecast embodied in this CFA, although there were some variances due to the annual (versus periodic) nature of this CFA’s forecast. Additional refinements were made based upon County consultations that took place after the HEC report was completed.

DEVELOPMENT OUTSIDE SPECIFIC PLAN AREA

The majority of Olympic Valley is undevelopable, although some development may still occur outside the boundaries of the 93-acre Specific Plan area. The County Planning Department reports that entitlements have been approved for two projects:

- Olympic Estates: 16 residential units totaling 64 bedrooms; and
- RSC Phase II: 441 condominium units totaling 464 bedrooms.

In addition, over the next 25 years, the County Planning Department estimates approval and development of several more projects, some portion of which may be constructed during the CFA forecast period:

- Squaw Valley Ranch Estates: 8 residential units totaling 40 bedrooms;

- Mancuso: 4 residential units totaling 20 bedrooms;
- Redevelopment of the PlumpJack property: 104 net hotel rooms/condo bedrooms and 10,000 square feet of net new commercial use;
- A museum of 14,500 square feet;
- Single Family Residential: 66 units / 264 bedrooms;
- Resort/condo/hotel units: 34 units / 52 bedrooms; and
- General commercial uses (retail, restaurant, service): 56,000 square feet

The amount of this 25-year development plan that is reasonably expected to be absorbed during the 10-year CFA analysis period is described in the next section.

CFA DEVELOPMENT FORECAST

Between development within the Specific Plan area and additional development that may occur in the next 25 years outside the Specific Plan area, Olympic Valley could see a significant increase in development consisting of 1,440 units (2,765 bedrooms) and 300,583⁷ net new commercial square feet. These figures are loosely the same between the County Planning Services Division and a forecast prepared for the SVPD in September 2014 by HEC, but for several reasons, RSG needed to refine these forecasts to reconcile differences, reflect figures on an annualized basis, and make assumptions regarding the type of land uses involved and the pace of development and absorption beyond what was included in either forecast.

The forecast period for this CFA is 10 years, including a transition year. Initially, it is reasonable to expect that some projects that have not yet been entitled may take some time to receive entitlements (typically 9-18 months), prepare grading plans, construction drawings and receive permits (6-12 months), and be constructed (18-24 months). Additionally, development of these projects is anticipated to occur in phases, likely based on demand and the desires of the respective developers, which RSG has noted are not yet known in great detail.

The resulting RSG forecast for development within the 10-year CFA period is reflected in Figure 5, which was incorporated into our analysis not only for population (both permanent and visitor) but property taxes, transient occupancy taxes, sales taxes, and other revenues as well as expenditures. No growth is forecasted during the transition year, as County officials do not feel that construction of the aforementioned projects is likely to be completely finished and assessable by July 1, 2016, especially given the difficulties the construction industry is likely to face during winter months.

⁷ Net of an estimated 77,650 square feet to be demolished and redeveloped with new uses according to County estimates.

Figure 5 - Growth Forecast

Comparison of RSG Forecast to Other Forecasts	HEC/SVPSD Forecast (Sept 2014)			County Forecast (Mar 2014)			RSG Assumption		
	5 Yrs	15 Yrs	25 Yrs	5 Yrs	10 Yrs	25 Yrs	5 Yrs	10 Yrs	25 Yrs
SP: Residential/Lodging Units									
Condo Hotel & Fractional Cabins	242	501	850	297	467	850	242	492	850
SP: Resort Residential (1,243 beds)						600	242	242	600
SP: Hotel (250 beds)						250	-	250	250
Employee Housing (Dormitories)	204	204	204	92	144	264	-	264	264
SP: Employee Housing									
SP: Nonresidential SF	77,042	150,135	225,147	119,940	154,940	220,083	91,900	147,635	220,083
Net Existing SF (to be Replaced)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)	(77,650)
Gross SF Projected	154,692	227,785	302,797	197,590	232,590	297,733	169,550	225,285	297,733
Retail	5,500	20,400	28,621				20,400	20,400	28,621
Restaurant/Food & Beverage	7,000	22,650	31,121				22,650	22,650	31,121
Hotel "Common Area"	15,692	33,235	66,555				-	33,235	66,555
"Mountain Adventure Camp"	90,000	90,000	90,000				90,000	90,000	90,000
Ski Services & Other Amenities	32,500	52,500	62,500	15,000	20,000	20,000	32,500	40,000	57,436
Transit Center	4,000	4,000	4,000				4,000	4,000	4,000
Neighborhood Market	-	5,000	5,000				-	-	5,000
Shipping/Receiving	-	-	15,000					15,000	15,000
Other Residential/Lodging (Outside SP)	No Forecast			168	336	673	168	457	673
RSC Phase II						441	152	441	441
Olympic Estates (64 beds)						16	16	16	16
PlumpJack Hotel						80	-	-	80
PlumpJack Condo						24	-	-	24
New Hotel (Outside Specific Plan)						34	-	-	34
Squaw Valley Ranch Estates						8	-	-	8
Mancuso (20 beds)						4	-	-	4
Single Family Residential (264 beds)						66	-	-	66
Other Nonresidential SF (Outside SP)	No Forecast			24,500	44,625	80,500	24,500	44,625	80,500
Olympic Valley Museum							14,500	14,500	14,500
General Commercial							10,000	30,125	56,000
PlumpJack Redevelopment							-	-	10,000

Population Increases Due to New Development

Although the majority of the new development is anticipated to be largely visitor-serving, some permanent population may be added to the community as a result of the development projected. Using GIS, the boundaries of the proposed Town were geographically matched to data from the US Census and ESRI Business Analyst. An average historical population growth rate of 0.56 percent (about 5 residents per year) was determined based on 2000 and 2010 Census data. However, due to the substantial amount of anticipated development on the horizon, this CFA instead ties population growth to new housing development, assuming that current residential owner-occupancy rates and average household size stay constant. The population forecast is shown in Figure 6.

Tourists are expected to increase due to the visitor-serving development anticipated to occur within the next ten years. Tourist populations were identified as either overnight visitors or “daytrip” tourists. Overnight visitors were projected using the estimated figure for peak overnight visitors at 100% occupancy from the Village at Squaw Valley Specific Plan Draft EIR, which was then converted to the average annual occupancy rate. Overnight tourist growth was projected based on the development of new overnight accommodations. “Daytrip” tourists, meanwhile, were estimated using the average skier count from the 10th busiest day between 2010 and 2014 as presented in the draft Village at Squaw Valley Specific Plan Draft EIR and subtracting the overnight visitors. While RSG acknowledges that not all daytrippers are skiers, given the lack of relevant data available, this was determined to be a reasonable estimate. Daytrip visitors were increased at the same rate as the overnight visitors, as the ratio between them is assumed to stay constant.

The total number of employees in Olympic Valley is also projected to increase over time. The current number of employees was determined with ESRI Business Analyst estimates. Employee growth was then tied to future development using square feet-per-employee estimates from the Natelson Company. An estimate from Marriott International was used to calculate the square footage of new hotels based on their number of rooms. The projected tourist and employee populations in Olympic Valley are found in Figure 7 and Figure 8.

Figure 6 - Population Forecast

Population Projections	12 Month Period Beginning											
	7/1/2014	7/1/2015	Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
After New Development is Factored In	943	948	954	962	968	1,002	1,033	1,064	1,094	1,100	1,106	1,112
Before New Development is Factored In	943	948	954	959	964	970	975	981	986	992	997	1,003
Registered Voters	552	560	569	577	586	595	603	612	622	631	640	650
New Housing Adjustment Factor	0.75											
2000 Population ¹	870											
2010 Population ¹	919											
2014 Population Projection ²	943											
Growth Rate 2000-2010	0.56%											
Homes Owner-Occupied ³	11%											
Average Household Size ¹	2.3											
Registered Voters ⁴	552											

Note: RSG used this growth rate for the projections because it does not incorporate estimates into its calculation, and is therefore more likely to be accurate.

Note: RSG assumed that average household size and the percentage of homes that are owner-occupied would stay constant.

Note: New Housing Adjustment Factor is applied to population growth tied to new housing developments during their first year, as they are assumed to not be occupied at the same rate in their first year due to newness.

¹ 2010 US Census

² ESRI Business Analyst Estimates

³ Placer LAFCo SVPSPD Municipal Services Review - Admin Draft

⁴ Placer County Office of Elections

Figure 7 - Tourist Projections

Item Detail and Assumptions	Transition	12 Month Period Beginning									
		7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Hotel Rooms ¹			915	1,126	1,157	1,157	1,157	1,157	1,157	1,407	1,407
Hotel Room Growth Rate			0%	23%	3%	0%	0%	0%	0%	22%	0%
Assumed Occupancy Rate (All Seasons Average)	52%										
Peak Overnight Visitors (100% Occupancy) ²	5,858										
Average Overnight Tourists		3,046	3,046	3,749	3,852	3,852	3,852	3,852	3,852	4,684	4,684

¹ RSG used the County's Cumulative Assumptions Technical Memorandum, the HEC Technical Memorandum, and RSG's own expertise to best estimate phasing and timing of projects.

² Village at Squaw Valley Specific Plan Draft EIR

Sources: Cumulative Assumptions Technical Memorandum; Steve Buelna, Supervising Planner (County Planning); Marshall & Swift Valuation; Village at Squaw Valley Specific Plan; Technical Memorandum – Revenue Impacts of the Village Development on SVPSD from Hansford Economic Consulting

Item Detail and Assumptions	Transition	12 Month Period Beginning									
		7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Average Overnight Tourists		3,046	3,046	3,749	3,852	3,852	3,852	3,852	3,852	4,684	4,684
Average Skier Attendance 2010-2014 (10th Busiest Day) ¹	8,966										
Assumed "Daytrip" Growth Rate			0%	23%	3%	0%	0%	0%	0%	22%	0%
Average "Daytrip" Tourists		5,920	5,920	7,285	7,485	7,485	7,485	7,485	7,485	9,103	9,103

Note: RSG acknowledges that not all daytrippers are skiers, but given the lack of relevant data, determined the Draft EIR's estimate of skier attendance to be the best representation of this population.

Note: The ratio between daytrippers and overnight tourists is assumed to stay constant. Therefore, daytrippers are inflated by the same growth rate.

¹ Village at Squaw Valley Specific Plan Draft EIR

Figure 8 - Employee Projections

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Existing Employees ¹	579										
Non-Residential, Non-Hotel SF Added Square Feet per Employee ²	585	-	4,000	21,525	144,025	15,000	-	7,500	-	-	-
Hotel SF Added Square Feet per Employee ²	1,804	-	-	168,800	24,800	-	-	-	-	233,235	-
Total Employees		579	586	716	976	1,002	1,002	1,015	1,015	1,144	1,144

Note: Non-Residential, Non-Hotel square footage per employee is difficult to estimate due to the unique nature of many anticipated projects. In light of this difficulty, RSG elected to use the Natelson Company's retail estimate as a basis.

¹ ESRI Business Analyst Estimate

² Natelson Company Estimate

PROJECTED REVENUES

This CFA is conducted on a cash basis. New cities must operate on a cash basis since they have no initial fund balances on which to depend for cash flow. Furthermore, the cash basis approach provides a more realistic picture of both the year-end surpluses and deficits, which can be experienced by the new Town.

Town revenues will come from a variety of sources. The majority of Olympic Valley's revenue would be designated as general fund revenue, which would be used to provide municipal services such as general government, law enforcement, planning and land use, building inspection, animal control, wildfire protection, and parks. General Fund revenues typically come from property taxes, sales taxes, state subventions, and fees for services. Other revenues are restricted for specific purposes, such as fees for services, or state subventions, such as gas tax revenues.

The following section describes the different revenues the new Town will be eligible to receive, and the methodology used to forecast these revenues. There will be differences between the forecasts and actual results because events and circumstances may not occur as expected, and those differences may be material. In addition, outside forces such as the State Budget Process and the national economy can have a large effect on potential revenues. The State of California's budget process is extremely unpredictable and often highly disadvantageous to local jurisdictions. The State has imposed tremendous changes in the last ten years at the local government level, such as the loss of redevelopment, which could be neither predicted nor mitigated. It is impossible to forecast what the next ten years may bring. The economy operates with a little more predictability; however, local jurisdictions are often unprepared for even normal fluctuations in the economy.

NEW TAXES AND FEES

This CFA assumes no new taxes will be imposed by the Town, and that, initially, the existing fee schedules and franchise agreements maintained by the County will be adopted by the Town Council upon incorporation. However, in the future, the Town would have the option of adopting different fee schedules, and entering into new franchise agreements that may later alter, favorably or unfavorably, the amount of revenues available to the new Town. Additionally, voters may choose to approve new taxes, though any such tax increase is subject to Proposition 218.

GENERAL FUND REVENUES

The Town's General Fund will pay for most municipal operational services, including general government, community development, animal control, wildfire protection, parks and recreation, and law enforcement. In addition, these revenues could be used to fund any revenue neutrality payments to the County subject to negotiations. The funding sources consist of the following:

- Shares of local taxes (property, sales, in-lieu sales, and property transfer taxes);
- Fees for services (franchises, community development, public works/engineering, and animal license);
- Fines and forfeitures; and
- Interest earnings.

Over the first nine years and the transition year, estimated General Fund revenues range from \$5.3 million in fiscal year 2017-18, to \$9.4 million in fiscal year 2025-26. The methodologies for calculating these revenues are described below.

General Property Tax Levy

Upon incorporation, the Town would receive a portion of the County's General Fund property tax share of the general (1 percent) tax levy. Section 56810 of the Government Code provides a specific formula for determination of the portion of the property tax share allocated to the new Town. The formula derives the city's base year property tax revenue transferred to the Town by determining the total net cost of certain municipal services that will be transferred to the new Town, from information supplied by the County, based on the base year. As previously discussed, the base year for Olympic Valley is fiscal year 2013-14. The net costs include both direct costs, and overhead or indirect costs, funded by the General Fund.

In total, the County's net cost of services in the base year equals \$1,439,385. According to reports from the individual agencies and departments of the County that provide General Fund services to Olympic Valley, the net cost of services provided in the base year (2013-14) consist of the following items:

- Community Development (\$59,235): RSG obtained actual base year costs and revenues from the County Community Developer Resource Agency in a written response dated February 20, 2015. Revenues were generated from planning, building, and engineering fees for services.
- Law enforcement (\$1,257,612): The Placer County Sheriff reported actual costs based on five years of data for the proposed incorporation area. The five-year total for service calls was compared to calls for service within the Tahoe Basin or County as a whole. The resulting percentage splits were then applied to actual FY 2013-14 Countywide costs for services.
- Parks & Recreation (\$27,889): The County Parks Department provided actual base year costs and revenues in a written response dated February 20, 2015.
- Animal Control (\$7,295): Actual animal control costs and revenues were provided in a written response dated February 20, 2015 from the County Department of Animal Services.
- Public Works – Road Maintenance and Snow Removal (\$87,353): RSG obtained actual General Fund base year costs and revenues from the County Public Works Department in a written response dated February 20, 2015. However, the majority of the costs for road maintenance and snow removal would be first payable from the new Town's Road Fund, not its General Fund.

Pursuant Government Code Section 56810, the total net cost of services transferred to the Town is then multiplied by a factor known as the Auditor's Ratio. The Auditor's Ratio, determined annually by the County Auditor-Controller, represents the ratio of general property taxes received during the base year, to all revenues received by the county for general purposes during that same fiscal year. Based on the Auditor's Ratio reported on December 19, 2014 of 51.21 percent, \$737,053 of the net cost of services was funded by property tax revenue.

The base year property tax revenue transferred to the Town of \$737,053 is adjusted by the projected percentage change in estimated assessed valuation between the base year and first year the Town will receive property tax revenue (the projected increase from fiscal year 2013-14 to fiscal year 2017-18), which equals 17.76 percent. The adjusted property tax revenue transferred to the Town is \$867,945. This number is then stated as a percentage of the projected property taxes collected with the new Town boundaries, which is equivalent to 6.46 percent of the total property tax base in Olympic Valley in fiscal year 2017-18. It is this percentage that is used to determine future

years' property tax revenues for the Town, based on increases in its assessed values due to ownership changes, new construction, and the provisions of Proposition 13.

Figure 9 presents the calculation of property taxes to the City General Fund using the base year numbers for analysis according to government formation law⁸.

Figure 9 - Property Tax Share Transfer

	2013-14 Net Costs for Olympic Valley		
	Cost	Revenue	Net Cost
Net Cost of Services Transferred to Town			
Community Development	238,512	179,277	59,235
Public Works - Road Maintenance & Snow Removal	299,896	212,543	87,353
Sheriff	1,257,612	-	1,257,612
Facilities - Parks	49,903	22,014	27,889
HHS - Animal Services	7,553	258	7,295
Total	\$ 1,853,476	\$ 414,092	\$ 1,439,385
 Auditor's Ratio¹			
Base Year Property Tax Revenue Transfer to Town (2013-14)			51.21%
			737,053
 Property Tax Revenue Adjustment for AV Growth			
Assessed Value 2013-14			1,140,780,468
Assessed Value 2017-18			1,343,371,200
Change in AV from 2013-14 to 2017-18			17.76%
Property Tax Revenue Adjusted for AV Growth			867,945
 Property Tax Share Computation			
Projected Assessed Value (2017-18)			1,343,371,200
General Tax Levy (1% of Assessed Value)			13,433,712
Property Tax Revenue Adjusted for AV Growth			867,945
 Property Tax Share to Town			
			6.46%

¹ County Auditor-Controller

Assessed Value Growth Forecast

Property tax revenue is generated based on the Town's share of the property tax general levy calculated in Figure 7, and the total assessed value of the Town each fiscal year. Figure 10 shows the historical assessed value of the SVPSPD (coterminous with the boundaries of the Town) over the past 7 years, through fiscal year 2014-15. The next assessment roll for 2015-16 would be equalized

⁸ Cortese-Knox-Hertzberg Local Government Reorganization Act 2000; Article 2. Property Tax Exchange; Section 56810 (3)

in August 2015, so RSG used the 2014-15 assessed values as the baseline for projecting future growth in the Town.

Figure 10 - Historical Assessed Value

Squaw Valley PSD Assessed Value History, Since 2005-06

Year	Secured		Unsecured		Total	
		△		△		△
2005-06	\$1,011,077,675		\$ 11,393,527		\$ 1,022,471,202	
2006-07	1,147,885,556	13.5%	11,352,784	-0.4%	1,159,238,340	13.4%
2007-08	1,233,381,634	7.4%	11,432,516	0.7%	1,244,814,150	7.4%
2008-09	1,291,605,815	4.7%	11,557,359	1.1%	1,303,163,174	4.7%
2009-10	1,282,530,521	-0.7%	12,717,873	10.0%	1,295,248,394	-0.6%
2010-11	1,147,961,757	-10.5%	11,845,458	-6.9%	1,159,807,215	-10.5%
2011-12	1,102,775,553	-3.9%	11,720,583	-1.1%	1,114,496,136	-3.9%
2012-13	1,126,461,489	2.1%	12,867,516	9.8%	1,139,329,005	2.2%
2013-14	1,128,008,175	0.1%	12,772,293	-0.7%	1,140,780,468	0.1%
2014-15	1,155,553,436	2.4%	11,858,286	-7.2%	1,167,411,722	2.3%

Note: SVPSD boundaries are coterminous with the proposed Town of Olympic Valley

Source: Placer County Auditor-Controller reports. Values are gross of homeowner exemptions

As shown above, the total assessed value of the Town in 2014-15 is \$1,167,411,722, consisting of \$1,155,553,436 in secured assessed value⁹ and \$11,858,286 in unsecured value. Total assessed value projections were estimated by using the total assessed value for the fiscal year 2014-15 plus the supplemental and lien-date reassessment of projected new development described earlier. The assessed value forecast was based on the following assumptions:

- Existing secured property assessed values are assumed to grow at the maximum 2 percent (Proposition 13) inflation rate, which inflates real property values by up to 2 percent annually based on the change in the California Consumer Price Index. Although not identical to real property values, RSG generally finds the figures to be fairly close and employed this information given the available of historical assessed value reports from the County Auditor-Controller's office;
- As they are not subject to Proposition 13 inflationary adjustments, subject to depreciation and reassessed annually, personal properties typically do not see as predictable of an increase from year to year, and often are roughly comparable to unsecured value totals which are reported by the County Auditor-Controller online. Over the past 10 years, unsecured values have only moved modestly. Best practices in revenue forecasts commonly hold existing personal property or unsecured values fixed, as we have in this forecast.
- New development within the Town has been included in addition to the components described above, as itemized on Figure 5 values for new development were based on credible construction cost indices to adjust for local area and product types, estimated sales prices, inflation indices for commercial development, and actual sales value for

⁹ Secured assessed values are gross of homeowners exemptions in order to reflect homeowner property tax relief apportionments in the forecast.

residential for-sale products. RSG assumed a portion of the development cost would be assessed on the supplemental roll during the construction period.

- According to the County Auditor Controller, approximately \$594,150,291 in Proposition 8 value reductions are still active in the greater Tahoe Basin. Proposition 8 reductions occur when the market value of a property drops below the allowable maximum value based on purchase price and annual inflationary growth allowed by Proposition 13. During the Great Recession, county assessors around the state proactively made Proposition 8 value reductions to account for widespread market price reductions. However, between fiscal years 2014-15 and 2015-16, approximately 49.90 percent of the Proposition 8 reductions were restored, and the Assessor's office has stated they expect significant value restorations again for fiscal year 2016-17. RSG has assumed a pro-rata share of value restorations will occur in Olympic Valley, resulting in a larger jump in assessed value during fiscal year 2016-17 and 2017-18. The value of these restorations is approximately \$33,200 in property tax revenue to the Town. It is worth noting that during RSG's investigation into the Proposition 8 reductions, Squaw Valley Ski Holdings, LLC stated that they were seeking to appeal their Proposition 13 base assessed values for several parcels purchased in 2011. If successful, these reductions would have a permanent impact upon property tax revenues generated in Olympic Valley. Reductions in base values are not subject to restoration, but instead set a lower threshold of value to which the annual Proposition 13 inflationary rate can be applied.

Figure 11 - Assessed Value Forecast

Item Detail and Assumptions	Value/Unit (2015 \$)	Transition 7/1/2016	12 Month Period Beginning								
			7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Prior Year AV Plus 2.00%		\$ 1,251,131,800	\$ 1,305,326,300	\$ 1,370,238,600	\$ 1,475,556,600	\$ 1,652,623,500	\$ 1,801,880,800	\$ 1,902,935,400	\$ 2,008,053,600	\$ 2,086,795,200	\$ 2,145,507,200
New Construction Value											
Outside the VSVSP Project Area											
2.77% Construction Costs Inflation		0.0831	0.1108	0.1385	0.1662	0.1939	0.2216	0.2493	0.2770	0.3047	0.3324
3.11% SFR Market Inflation		0.0933	0.1244	0.1555	0.1866	0.2177	0.2488	0.2799	0.3110	0.3421	0.3732
2.86% Condo Market Inflation		0.0858	0.1144	0.1430	0.1716	0.2002	0.2288	0.2574	0.2860	0.3146	0.3432
RSC Phase II (Units)	490,000	-	-	-	43,630,400	73,512,300	59,609,100	58,840,000	28,671,400	-	-
Olympic Estates (Units)	1,050,000	-	9,445,000	9,706,200	-	-	-	-	-	-	-
Olympic Valley Museum (Square Feet)	303	-	-	-	2,566,000	2,626,900	-	-	-	-	-
General Commercial (Square Feet)	217	-	-	-	1,263,000	1,293,000	1,322,900	1,352,900	1,400,200	1,430,600	-
Total		-	9,445,000	9,706,200	47,459,400	77,432,200	60,932,000	60,192,900	30,071,600	1,430,600	-
VSVSP Project Area											
2.77% Construction Costs Inflation		0.0831	0.1108	0.1385	0.1662	0.1939	0.2216	0.2493	0.2770	0.3047	0.3324
3.11% SFR Market Inflation		0.0933	0.1244	0.1555	0.1866	0.2177	0.2488	0.2799	0.3110	0.3421	0.3732
2.86% Condo Market Inflation		0.0858	0.1144	0.1430	0.1716	0.2002	0.2288	0.2574	0.2860	0.3146	0.3432
Phase 1 Condo/Hotel (Assumed) [Units]	490,000	-	-	59,087,400	60,565,900	-	-	-	-	-	-
Fractional Cabins (Assumed) [Units]	1,050,000	-	-	-	19,311,900	19,818,100	-	-	-	-	-
Hotel (Units)	66,690	-	-	-	-	-	-	-	-	10,876,400	11,107,300
Employee Housing (264 beds) [Units]	420,500	-	-	-	-	-	-	5,551,700	5,678,000	-	-
Retail (Square Feet)	174	-	-	1,011,600	2,072,400	1,060,800	-	-	-	-	-
Restaurant/Food & Beverage (Square Feet)	259	-	-	-	-	-	-	-	-	-	-
Hotel Common Area (Square Feet)	200	-	-	-	-	-	-	-	-	4,336,200	4,428,200
Mountain Adventure Camp (Square Feet)	266	-	-	5,441,800	11,148,300	11,413,100	-	-	-	-	-
Ski Services & Other Amenities (Square Feet)	217	-	-	-	4,104,600	4,202,100	-	-	2,074,400	-	-
Transit Center (Square Feet)	250	-	-	1,138,500	-	-	-	-	-	-	-
Neighborhood Market (Square Feet)	171	-	-	-	-	-	-	-	-	-	-
Shipping & Receiving	153	-	-	-	-	-	2,810,100	-	-	-	-
Total		-	-	66,679,300	97,203,100	36,494,100	2,810,100	5,551,700	7,752,400	15,212,600	15,535,500
Total New Construction		-	9,445,000	76,385,500	144,662,500	113,926,300	63,742,100	65,744,600	37,824,000	16,643,200	15,535,500
Subtotal		1,251,131,800	1,314,771,300	1,446,624,100	1,620,219,100	1,766,549,800	1,865,622,900	1,968,680,000	2,045,877,600	2,103,438,400	2,161,042,700
Proposition 8 Restored Value		28,599,900	28,599,900	-	-	-	-	-	-	-	-
Total Assessed Value		\$ 1,279,731,700	\$ 1,343,371,200	\$ 1,446,624,100	\$ 1,620,219,100	\$ 1,766,549,800	\$ 1,865,622,900	\$ 1,968,680,000	\$ 2,045,877,600	\$ 2,103,438,400	\$ 2,161,042,700

Note: RSG used the County's Cumulative Assumptions Technical Memorandum, the HEC Technical Memorandum, and RSG's own expertise to best estimate phasing and timing of projects.

Note: RSG assumed that none of the construction reflected on the Cumulative Assumptions Technical Memorandum would be completed and assessable in the transition year, and assumed that other development would be negligible, per County Planning Dept.

Note: The Proposition 8 Restoration Estimate is spread out evenly over 2016-17 and 2017-18 because the Placer County Assessor's office indicated that substantial amounts of the outstanding value lost due to Proposition 8 would be restored in the next few years.

Sources: Placer County Assessor's Office; Cumulative Assumptions Technical Memorandum; Steve Buelna, Supervising Planner (County Planning); Marshall & Swift Valuation; Village at Squaw Valley Specific Plan; Technical Memorandum – Revenue Impacts of the Village Development on SVPSD from Hansford Economic Consulting

Property Taxes

Property taxes are apportioned to the Town based on the creation of tax rates areas for the proposed Town limits. Under Government Code Section 54902, the final date to file with the State Board of Equalization for a change of jurisdictional boundary is on or before December 1 of the year immediately prior to the year in which the assessments or taxes are to be levied. In order for the Town to collect property tax revenues in fiscal year 2017-18, the incorporation would need to be effective and the change of jurisdictional boundary would need to be filed no later than December 1, 2016.

For this reason, RSG has assumed the earliest possible date for property revenues to be collected by the Town would be July 1, 2017, and the County would continue to collect property tax revenues (used in part to fund transition period costs) during 2016-17. The Town would receive its property tax revenues throughout the year, but a majority of the revenue would be distributed in December and April when secured property tax bills are due. Homeowner's Property Tax Relief revenues are apportioned separately by the County Auditor-Controller, yet are included in the Property Tax revenues described above.

Supplemental revenue is also included in the projections for both new construction and resale activity affecting the overall roll. Supplemental revenue is the revenue generated from supplemental tax bills, which are issued when a property sale occurs or construction is completed after the January 1 lien date. Additionally, there are roll corrections which alter the assessment roll after it was finalized on August 20, the date by which the roll is required by law to be equalized; these roll corrections occur for any of a variety of reasons, including corrected exemptions and errors by the Assessor. The County Auditor-Controller distributes these supplemental revenues along with property taxes. Over the last few years, approximately 5 percent of the property taxes received by the SVPSPD were attributable to supplemental revenue. RSG used this figure as an estimate for what Olympic Valley might receive every year in supplemental revenue.

The County Auditor-Controller charges cities and local districts the administrative costs incurred for the distribution of property tax revenue. The amount of the administration fee is determined by the Auditor-Controller and subject to annual adjustments. For this CFA, the Auditor-Controller and RSG estimated that had the Town been incorporated in fiscal year 2014-15, the fee would have been approximately \$2,360. This amount, equal to approximately 0.18 percent of the 2013-14 of property tax revenue that would be transferred in the base year, would be deducted by the Auditor-Controller prior to the apportionment of property tax revenues to the Town. The administration fee percentage rate is assumed to remain static, and the administrative fee itself would increase proportionally with property tax revenues. Figure 12 on the following page shows the projection of property tax revenue.

Figure 12 - Property Tax Revenues

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Property Taxes	6.461%	\$ -	867,900	934,700	1,046,800	1,141,400	1,205,400	1,272,000	1,321,800	1,359,000	1,396,200
Supplemental Revenue ¹	5.000%	\$ -	43,400	46,700	52,300	57,100	60,300	63,600	66,100	68,000	69,800
Less: County Admin. Fee ²	0.18%	-	1,600	1,700	1,900	2,100	2,200	2,300	2,400	2,500	2,600
Net Property Tax		\$ -	\$ 909,700	\$ 979,700	\$ 1,097,200	\$ 1,196,400	\$ 1,263,500	\$ 1,333,300	\$ 1,385,500	\$ 1,424,500	\$ 1,463,400

¹ Based on SQPSD actual property tax revenues FY 2009-10 through FY 2013-14

² Per Placer County Final Adopted Budget 2014-15

Sales Taxes

A city typically receive one percent of taxable sales made within its boundaries. Due to State budget issues in 2004, a portion of that revenue was reallocated through Proposition 57, which, in part, mandates the exchange of one-quarter (0.25 percent) of the previous 1.00 percent sales tax revenues to cities for an equal amount of property tax revenues. These additional property tax revenues are referred to as “in-lieu sales taxes” or “triple-flip revenues”, and took effect on July 1, 2004; they continue until the state deficit bailout bonds are paid off, currently anticipated to be in 2016, after which time it is presumed that in-lieu sales taxes would revert back to cities as sales tax revenue. As the bonds are anticipated to be paid off prior to incorporation (or at roughly the same time), this CFA projects sales tax revenues at the full 1 percent rate.

The estimated sales tax revenues are based on data supplied by the State Board of Equalization (“SBE”) on January 21, 2015 for the 12-month period ending June 30, 2014. The SBE sales tax report dated January 21, 2015 indicates that Olympic Valley generated \$428,000 in one percent sales tax during the year ending June 30, 2014. Tom Trach of the SBE provided RSG the following breakdown of this amount:

1. Actual one percent sales taxes billed: \$418,570
2. Estimated one percent sales taxes billed on missing or late filings: \$0
3. Estimated additional one percent sales taxes of businesses opened just portion of year: \$9,430

According to Section 56800, additional revenues the County did not actually receive during the base year should not be included, so the amount of base year taxable sales was reduced by \$9,430, to \$418,570. The additional \$9,430 of estimated sales tax revenue was realized after the base year, and was accounted for in the projections of sales tax revenue in the future.

The base year revenue estimates and projections have been supplemented by RSG to include indirect sales tax disbursements made by the State Board of Equalization from businesses that report receipts on a countywide or statewide basis. According to prior correspondence with the SBE, their report did not include taxable sales from such businesses outside Olympic Valley. Officials at the SBE also confirmed that they make adjustments to the locally-generated sales tax revenues based on the pro rata share of locally-generated taxes within the County (for countywide indirect apportionments) and within the State (for other statewide indirect apportionments).

Additional sales tax revenues will be generated by anticipated commercial development forecast by this CFA. RSG assumed a value of \$350 sales per square foot. Olympic Valley will be able to start receiving sales tax in the first quarter following adoption of a Bradley Burns ordinance, which will likely occur within the first few months of the transition year. As such, Olympic Valley would start collecting sales tax in the second quarter of FY 2016-17, only collecting three-quarters of the sales tax revenue generated in FY 2016-17. The County will collect the sales taxes from the first quarter of FY 2016-17 and that revenue is factored into Olympic Valley's Transition Loan payment to the County. In addition, the State Board of Equalization tends to remit the payments to cities about 2-3 months behind the end of a quarter. Therefore, in each fiscal year, Olympic Valley is technically collecting revenues generated in the fourth quarter of the prior fiscal year, and the first three quarters of the current fiscal year. Combined with the time it takes the Council to adopt a Bradley Burns ordinance, this results in Olympic Valley only collecting one-half of the FY 2016-17 sales tax revenue in the transition year, as the fourth quarter FY 2016-17 revenues will actually be received in FY 2017-18. Figure 13 presents the adjusted taxable sales for Olympic Valley, inclusive of both the direct and indirect apportionments by the State Board.

Figure 13 - Adjustment to Taxable Sales Revenue Estimate

Item Detail and Assumptions	Sales Per SF	Transition 7/1/2016	12 Month Period Beginning								
			7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Prior Year Taxable Sales Plus 2.1%		47,122,200	48,126,400	49,152,000	60,735,300	72,789,900	74,341,100	80,156,700	81,864,800	88,078,200	89,955,100
New Taxable Sales Added by Year 2.1% Inflationary Increase New Commercial	350	-	-	10,316,000	10,535,800	-	4,143,100	-	4,375,600	-	-
Total Taxable Sales		47,122,200	48,126,400	59,468,000	71,271,100	72,789,900	78,484,200	80,156,700	86,240,400	88,078,200	89,955,100
Total Sales Taxes		\$ 235,600	\$ 478,800	\$ 566,300	\$ 683,200	\$ 724,100	\$ 770,600	\$ 797,400	\$ 847,200	\$ 876,200	\$ 894,900

Note: DOF estimates that the Economic Recovery Bonds that require the California State "Triple-Flip" sales tax split will be retired by the time of incorporation.

Note: This forecast is performed on a cash basis. Total Sales Taxes are adjusted by half in the transition year because one quarter of revenues would be lost while the new Town elects to receive the tax, and an additional quarter is collected the following fiscal year as payments to cities are typically received 2-3 months behind the end of each quarter. In subsequent years, one quarter of the revenue is associated with the prior fiscal year's sales generation, and three quarters with the current fiscal year.

Property Transfer Taxes

As a general law city, the Town would receive property transfer tax revenue of \$0.55 for every \$1,000 of property value transferred after the date of incorporation. The amount of property transfer tax received will depend upon the level of resale activity, and new development in the Town limits.

Based on historic resale activity in Olympic Valley between 2010 and 2014¹⁰, RSG has assumed a 5.96 percent turnover rate of the existing housing stock. In addition to such resale activity, RSG has included transfer taxes from new home sales projected in the development forecast. New single family residential properties sold in the Village at Squaw Valley Specific Plan area are likely to sell at a higher price than the current or projected median values. However, RSG contacted the developer to inquire about potential prices for these properties, and the developer declined to provide that information. Therefore, RSG conservatively assumed that they would be valued at the median value for the purpose of this analysis.

See Figure 14 for a projection of property transfer taxes.

¹⁰ According to actual resale volume data retrieved from County Assessor's Roll.

Figure 14 - Property Transfer Taxes

Item Detail and Assumptions		12 Month Period Beginning										
		7/1/2015	Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Base Year Sales Volume (in 000's)	65,382											
2014-15 Transfer Tax (Co. Share)	35,960											
(\$1.10/\$1,000 transferred) ¹												
Projected Turnover												
Residential Resale Volume (in 000's)			63,400	65,000	72,700	80,700	89,100	91,300	100,200	102,800	105,300	108,000
New Housing Adjustment Factor	0.75											
Projected Existing Housing Stock		1,906	1,906	1,918	2,076	2,190	2,288	2,388	2,479	2,479	2,479	2,479
Turnover Rate	5.96%	100	110	110	120	130	140	140	150	150	150	150
Median Resale Price	490,000	547,820	576,300	590,700	605,500	620,600	636,100	652,000	668,300	685,000	702,100	719,700
Appreciation Rate (2014)	11.8%											
Appreciation Rate (2015)	5.2%											
Appreciation Rate (Later Yrs)	2.5%											
New Home Sales Volume (in 000's)			-	9,400	68,800	123,500	93,300	59,600	58,800	28,700	-	-
(See Assessed Value Projections)												
Total Sales Volume Turnover (in 000's)			63,400	74,400	141,500	204,200	182,400	150,900	159,000	131,500	105,300	108,000
Property Transfer Taxes (Projected)			\$ 34,900	\$ 40,900	\$ 77,800	\$ 112,300	\$ 100,300	\$ 83,000	\$ 87,500	\$ 72,300	\$ 57,900	\$ 59,400

Note: RSG assumed that employee housing would not be sold and, therefore, elected not to include it in these projections.

Note: Condo/hotel units are included in this analysis, as they can still be sold.

Note: New Housing Adjustment Factor is applied to new housing developments in their first year, as they are assumed to not be sold at the full potential turnover rate in their first year due to newness.

¹ National Conference of State Legislature's - Local Option Transfer Tax for Cities

Transient Occupancy Taxes

The County collects a transient occupancy tax ("TOT") at a rate of 10 percent on short-term rentals in Olympic Valley. The 10 percent tax includes a countywide base rate of 8 percent, and an additional voter-approved 2 percent tax specific to the North Lake Tahoe Transient Occupancy Tax Area.

Currently, revenue generated within Olympic Valley from the additional 2 percent TOT rate, along with approximately one-half the remaining 8 percent, is utilized by the County to provide regional marketing, transportation, and infrastructure improvement services. A portion of this revenue is transferred to the North Lake Tahoe Resort Association (NLTRA) per an agreement between the NLTRA and the County. Of the 10 percent TOT levy rate, approximately 6 percent is dedicated to regional services provided by the County or the NLTRA and the County's General Fund receives the other 4 percent. The following table details the regional TOT allocation for the entire North Lake Tahoe Area in 2013-14.

Figure 15 - Regional TOT Allocation

NLTRA Services	FY 2013-14 Costs ¹	County Services	FY 2013-14 Costs ¹
Personnel/Overhead Cap	\$ 1,597,805	TOT Administration	\$ 95,561
Research and Planning	82,000	NTBA+TCDA Contributions	130,000
Memberships	5,000	Auburn Welcome Center	40,000
Direct Marketing/Programs	1,294,555	Film Office	56,600
Community Marketing Fund	50,000	Sheriff Patrol- Peak Season	58,790
Special Events Marketing Fund	50,000	Animal Control- Beach Patrol	45,000
Traffic Management	48,000	Peak Transit Services Operated by TART	419,100
Transit Programs- Non-County	494,000	Base Transit Services Operated by TART	450,000
Maintenance Reserve: Tourism Serving Facilities	150,000	Resort Arterial Snow Removal	100,000
Capital Improvements	2,073,452	NTPUD- Beach Maintenance	82,714
Total \$	5,844,812	TCPUD- Beach Maintenance	94,482
% of Regional Services Allocation	78%	Fac Svcs- Contract Mgmt- Parks/Trails	30,510
		Total \$	1,602,757
		% of Regional Services Allocation	22%

Total TOT Collected in North Lake Tahoe Resort Area	\$ 11,578,056
Total Utilized for Regional Services	\$ 7,447,569
% of Total to Regional Services	64%
% of Total to NLTRA	50%
% of Total to County	14%

¹ FY 2013-14 costs includes the FY 2013-14 amendment which makes adjustments to allocations based on actual TOT collections

Source: Placer County

In 1996, voters in the North Lake Tahoe Area, which includes the unincorporated areas of Squaw Valley, Alpine Meadows, Tahoma Meadows, Homewood, Sunnyside, Tahoe City, Dollar Point, Carnelian Bay, Tahoe Vista, Kings Beach, and Northstar approved the 2 percent TOT levy increase. It was renewed in 2002 and then again in June 2012 by the passage of Measure F. Unless extended by the voters again, the additional 2 percent levy would sunset in 2022.

Pursuant to Government Code Section 56886, LAFCO has the statutory authority, but not the obligation, to transfer the voter-approved 2 percent TOT levy increase to the new Town. In addition, according to State Attorney General Opinion No. 99-602 filed on October 6, 1999, if LAFCO desires to transfer a previously established and collected tax to a new agency, the voter and landowner approval requirements of the Constitution relating to taxes, assessments, fees, and charges do not apply. Thus, as a condition of approval of incorporation or other change in organization, LAFCO has the authority to transfer the tax without voter approval.

As stated in Measure F, the 2 percent rate increase is a general tax with the funds dedicated to infrastructure projects to reduce traffic congestion/tourist impacts, support transportation services, build/maintain local bike trails, parks, indoor recreation opportunities, sidewalks, beaches, and other public services. Furthermore, in a letter dated March 17, 2015, Incorporate Olympic Valley stated the following in regards to the Measure F revenue:

These monies will be collected by the Town and utilized pursuant to the terms and provisions of the Measure. As part of our plan of service we propose now and will recommend to the future Town Council that Measure F revenue be used for North Lake Tahoe region infrastructure projects, including improvements to reduce traffic congestion/tourist impacts, support transportation services, build/maintain local bike trails, parks, indoor recreation opportunities, sidewalks, beaches, and other public services.

Although the Measure F tax was approved as a general tax, the terms of the ballot measure dedicate the funds to specific projects and uses, rather than for any general use. Although such restrictions might appear inconsistent with the criteria for a general tax, it is unlikely LAFCO would be willing to approve the transfer of funds without the condition that they be used for the explicit purposes specified in Measure F. Therefore, RSG has assumed that any Measure F revenue transferred to the Town would be restricted to fulfilling the capital projects specified in the ballot language and not available for General Fund purposes. More specifically, this portion of the TOT collected by the new Town would be transferred to NLTRA or expended directly by the Town for capital projects.

The remaining 8 percent base portion of the TOT levy would be collected by the Town as well. Presently, the County has been dedicating a portion of the 8 percent to fund regional services provided by the County itself or through an agreement with the NLTRA, which expires on June 30, 2016. The new Town Council could establish a new successor agreement, or decide to let the contract expire. The new Town Council could also decide to discontinue funding for any regional services and retain all 8 percent of the TOT levy for its own purposes. This could be clarified between the proponents and County during revenue neutrality negotiations.

In their March 17, 2015 letter, the proponents indicated they planned to support the North Lake Tahoe region to the extent it is funded now by Olympic Valley TOT revenue, which presumably could result in an ongoing shift of at least the same dollar amount to the NLTRA and County for regional services. However, without LAFCO conditions stipulating how the 8 percent share would be divided following incorporation, RSG has developed two scenarios to illustrate the impacts resulting from different allocations of the revenue:

- Scenario 1: Town Ends Regional Support. Under this scenario, RSG has assumed the Town would retain all of the 8 percent of the TOT rate for its own General Fund purposes and not share any funds with the County or NLTRA for regional services.
- Scenario 2: Town Continues to Share Half of the 8 Percent TOT with NLTRA and the County. Under this scenario, RSG has assumed that the Town would share 4 percent of the TOT levy with NLTRA and the County to provide regional services and local purposes¹¹ consistent with the current allocation.

Undoubtedly, there are many other alternatives and possible permutations on how any sharing of the TOT revenues could be handled. For this CFA, the Executive Officer has directed RSG to present these two scenarios for comparison purposes throughout this report.

¹¹ Including snow removal on public trails in Olympic Valley

In summation, this report assumes that if incorporation were successful, the Town will collect the entire 8 percent base TOT levy plus the additional 2 percent Measure F increase for a total of 10 percent. RSG has assumed that revenue generated from the 2 percent rate increase would go to Measure F capital projects to support the North Lake Tahoe region and would not be available for General Fund purposes. RSG has also considered two alternatives for how the remaining 8 percent of the TOT levy collected by the Town may be used: either retaining all 8 percent for General Fund purposes or sharing half of the 8 percent share with the NLTRA and County consistent with current practices. Figure 16 presents the calculation of TOT revenue from the transition year until fiscal year 2025-26 assuming the Town receives the full 10 percent levy.

Figure 16 - TOT Revenue

Item Detail and Assumptions	Transition	12 Month Period Beginning									
		7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Days Per Season	183										
Hotel Rooms ^{1,2}		915	915	1,126	1,157	1,157	1,157	1,157	1,157	1,407	1,407
New Hotel Adjustment Factor	0.75										
2.13% Inflationary Increase											
Average Occupancy - November-April ¹		79%	79%	79%	79%	79%	79%	79%	79%	79%	79%
Average Occupancy - May-October ¹		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Average Room Rate - November-April ²		211	215	220	225	230	234	239	245	250	255
Average Room Rate - May-October ²		167	171	174	178	182	186	190	194	198	202
Subtotal - Existing TOT		34,806,900	35,548,600	42,585,300	46,572,700	47,885,900	48,906,300	49,948,500	51,012,900	60,543,200	64,707,700
TOT Rate (Charged)	10%	3,480,700	3,554,900	4,258,500	4,657,300	4,788,600	4,890,600	4,994,900	5,101,300	6,054,300	6,470,800

Note: This analysis does not include personal vacation rentals, as TOT enforcement on accommodations of that nature is difficult.

Note: Room rates for future hotel developments are still unknown at this time, so RSG has assumed that they will be consistent with the averages of existing hotels.

Note: Per conversations with County Auditor-Controller and Revenue Collections, RSG assumed that TOT would be collected on fractional cabins and condo/hotel units.

Note: New Hotel Adjustment Factor is applied to new hotel rooms in their first year, as they are assumed to not operate at full potential in the first year due to newness.

¹ Historical TOT data combined with RSG research based upon information gathered directly from local hotels, expedia.com, hotels.com, kayak.com, and the hotels' websites.

² Cumulative Assumptions Technical Memorandum

Off-Highway Vehicle License Subventions

The State Controller's Office biannually apportions off-highway vehicle license fees to all cities and counties. Fifty percent of the total license fee revenues collected statewide is apportioned to cities on a per-capita basis. Off-highway vehicle license fee revenues were estimated based on actual July 2014 and January 2015 apportionments from the State Controller.

Franchise Fees

Upon incorporation, the City will receive franchise fees from Suddenlink (cable television and broadband telecommunications), Liberty Utilities (electricity), and Southwest Gas (gas). Pursuant to the provisions of the County's franchise agreements, revenues collected from these service providers would be paid to the Town upon incorporation. Waste collection and disposal are handled by the Tahoe Truckee Sanitation District, which, as a taxing entity, is not required to pay franchise fees.

RSG estimated franchise fees based upon data from the County that calculated the fees associated with Olympic Valley. According to the 2013-14 actuals, the County reports the following amounts of franchise fees were generated from Olympic Valley:

- Suddenlink (Cable and Broadband Franchise): \$9,000;
- Liberty Utilities (Electricity Franchise): \$11,600, and
- Southwest Gas (Natural Gas): No amount was provided at the time of this report, pending research done by the County, but RSG believes this value would be immaterial to our conclusions.

RSG assumed that these fees would stay constant for the basis of its projections. While development may generate additional users, efficiency measures associated with power usage as well as decreasing costs of broadband and cable services may mitigate any growth in franchise fee revenues. Following incorporation, the Town may elect to negotiate new franchise agreements with various service providers once their terms expire.

Community Development Fees

Community Development fees include planning, building, and engineering fees for development and other permits. The County Community Development Resource Agency ("CDRA") collects fees for community development services provided to Olympic Valley. In fiscal year 2013-14, the County received \$179,277 in fees from planning, building, and engineering services, which is equivalent to 75.16 percent of the costs to provide the same services. Initially, the County's existing fee structure would presumably be adopted by the Town. Thereafter, the Town could conduct its own fee study in an effort to increase fees to recover a higher percentage of costs. RSG cannot predict whether there might be the political or fiscal support for such a fee increase in Olympic Valley. Consequently, RSG has assumed that the County's existing fee structure would remain in place for the City for the foreseeable future.

Park User Fees

The County currently charges for the use of facilities in Squaw Valley Park. In fiscal year 2013-14, the County received \$14,118 in park fees.

Business License Fees

The County Tax Collector does not levy any business license fee; therefore, no revenues have been included.

Animal License Fees

Placer County Animal Services currently provides animal control services to Olympic Valley and levies a nominal license fee on dogs and cats, although licensing for cats is voluntary and not required, unlike licensing for dogs. In fiscal year 2013-14, the County collected \$258 in animal license fees.

Fines and Forfeitures

Fines and forfeiture revenues were established based on actual values reported by Placer County for the fiscal year 2013-14. RSG used these values to establish a per capita equivalent revenue rate, which factors in the full-time resident population, the overnight tourist population, and a pro-rated employee and daytime tourist population (equivalent to one-third of a full time occupant). This per capita equivalent revenue rate is estimated at \$5.18. Inflation and population growth was accounted for in accordance with the development forecast, resulting in projected revenue of \$34,800 in fiscal year 2017-18.

Motor Vehicle License Fees

Newer cities have not received a material amount of motor vehicle license fee revenues as a result of the VLF for property tax swap that altered the apportionment methodology in July 2004 and a 2006 legislative fix for new cities was reversed in 2011. Four cities incorporated between 2006 and 2011 suffered significant losses in their General Fund and one (Jurupa Valley) is exploring disincorporation as a direct result. Although there have been failed efforts to restore these fees for the four newer cities, no proposals have been advanced to restore this for future incorporations. As a result, RSG has not made any allowance for motor vehicle license fees in our forecast.

All of the miscellaneous revenues discussed above, as well as Highway Users Tax revenues, are presented in Figure 17.

Figure 17 - Miscellaneous Revenues

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Off-Highway Vehicle License Subvention		80	80	80	80	80	90	90	90	90	90
SCO Per Capita (2013-14)	0.08										
Growth Rate	0%										
Franchise Fees		-	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600
Base Year Actual (14-15) ⁴	20,600										
Growth Rate	0%										
Park User Fees		-	15,700	16,100	17,000	17,900	18,900	19,800	20,300	20,900	21,400
Base Year Actual (13-14)	14,118										
Per Capita	14.97										
Growth Rate	2.1%										
Animal Control Licenses		-	290	290	310	330	340	360	370	380	390
Base Year Actual (13-14)	258										
Per Capita	0.27										
Growth Rate	2.1%										
Fines & Forfeitures		-	34,800	42,500	45,100	46,300	47,500	48,700	49,800	60,100	61,500
Base Year Estimate (13-14)	31,883										
Per Capita Equivalent	5.18										
Growth Rate	2.1%										
2013-14 Gas Tax (to Road Fund)											
Gas Tax (Sec. 2105) Per Capita	4.00	3,800	3,800	3,900	4,000	4,100	4,300	4,400	4,400	4,400	4,400
Gas Tax (Sec. 2106) Per Capita	2.14	2,000	2,100	2,100	2,100	2,200	2,300	2,300	2,400	2,400	2,400
Gas Tax (Sec. 2107) Per Capita	5.47	5,200	5,300	5,300	5,500	5,600	5,800	5,980	6,000	6,000	6,100
Gas Tax (Sec. 2107 - Snow Removal) [*]		-	64,750	66,100	67,500	68,950	70,450	71,950	73,450	75,000	76,600
Growth Rate	0%										
Gas Tax (Sec. 2107.5)	Fixed Pmt	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Projected Population		954	962	968	1,002	1,033	1,064	1,094	1,100	1,106	1,112
Projected Employee Population		579	586	716	976	1,002	1,002	1,015	1,015	1,144	1,144
Projected Overnight Tourist Population		3,046	3,046	3,749	3,852	3,852	3,852	3,852	3,852	4,684	4,684
Projected "Daytrip" Tourist Population		5,920	5,920	7,285	7,485	7,485	7,485	7,485	7,485	9,103	9,103

* Per HUT Sec. 2107, Olympic Valley will be reimbursed for 50% of its snow removal expenditures each year, as long as they exceed \$5,000

Note: The allocations provided to cities by the Motor Vehicle License Fee were eliminated July 1, 2011 by SB 89.

Note: For the purposes of the per capita adjustment, daytrippers and employees are considered to be one-third of a person, as they are likely to be in Olympic Valley for substantially less time throughout any given day than a resident or overnight tourist would be.

Sources: County of Placer 2014-15 Budget, California State Controller's Office - Semi-Annual Off-Highway Remittance Advice 2013-14, California City Finance Highway Users Tax 2015-16 Estimates (HUT Update 2/5/15), and Andy Heath (Deputy County Executive Officer)

Interest Earnings

Interest earnings were estimated based upon the beginning fund balance of each fiscal year plus any reserve fund balance, assuming a 1.88 percent annual yield rate, based on the annualized earnings in the Local Agency Investment Fund (LAIF) between 2004 and 2014. These revenues are depicted in the Fund Summary in Appendix 2.

ROAD FUND REVENUES

Gas Tax

Like most cities, the primary recurring source of Road Fund revenue is gas tax apportionments from the State. Generally, Road Fund revenues are restricted by law to road-related expenditures, including routine maintenance, road repair and (where applicable) snow removal. Under existing State law, a surplus in the Road Fund cannot be used for the provision of any general municipal services or expended for maintenance of private roads. It is also common (as is the case in our projected budget for the Town) that Road Fund revenues are insufficient to cover ongoing maintenance costs for roadways.

The Town will receive a share of the revenues generated from the state taxes on gasoline under Sections 2105, 2106, 2107 and 2107.5 of the California Streets and Highways Code. In fiscal year 2016-17, RSG estimates that the City could receive approximately \$11,000 in such subventions for Olympic Valley. These numbers account for the Board of Equalization's decision to reduce the gas tax by \$0.06/gallon, effective July 1, 2015, by drawing on revised projections from California City Finance.

It should also be noted that in addition to the revenue from subventions listed above, an additional clause of Section 2107 of the California Streets and Highways Code mandates that the Town be reimbursed for 50 percent of snow removal expenditures once costs exceed \$5,000. RSG estimated this by taking the County's data on historical costs of snow removal and applying inflation to project annual snow removal cost estimates. Half of these costs were then assumed to be reimbursed by the State.

PROJECTED EXPENDITURES

The City's General Fund is responsible for the following operational functions:

- General Government (City Council, City Manager, City Clerk, City Attorney, Finance, and Non-Departmental Costs),
- Community Development (Planning, Building Inspection, Engineering, and Code Enforcement),
- Animal Control,
- Parks and Recreation,
- Law Enforcement, and
- Wildfire Protection

General Fund expenditures listed below do not include transition year loan repayments or revenue neutrality payments to the County. Exclusive of these amounts, estimated General Fund expenditures range from \$4.2 million in 2017-18 to \$6 million in 2025-26.

In the analysis, General Fund expenditures have been categorized by function within the Town's organizational structure and summarized in the following pages.

GENERAL GOVERNMENT

General government services account for the general administration and governance of the Town. In general, all salaries proposed were determined based on salary schedule reviews of cities in the region that compete for the same talent, with consideration given to the size of those cities. Benefits for employees were also based on the salary survey and benefit rates offered by the County. Salaries and benefits were increased on an annual basis of 2.1 percent, in line with recent cost of living adjustments. The specific activities and cost assumptions are delineated below:

- Town Council – Stipends for each of the five Town Council members (including mayor) of \$2,500 annually are included based on analysis of comparable cities. Council stipends are assumed to remain constant in the forecast. Additional costs for Town Council members include travel, equipment, and a services and supplies budget of \$10,920 in 2016-17, assumed to increase at a 2.1 percent inflation rate annually.
- Town Manager – A full-time Town Manager would be hired to work with the Town Council and direct all municipal activities. The Town Manager would supervise all day-to-day operations of Town departments and staff, directly and through department heads, and would oversee personnel decisions. The Town Manager, in conjunction with the Mayor, would also be responsible for public relations, such as working with citizens, businesses, and other stakeholders. Additional costs include memberships, travel, training, and attendance at the California League of Cities annual conference, as well as hardware, software, notices, and an interim manager contract during the transition year and several months prior to incorporation.
- Administrative Staff – In total, two positions would be dedicated to administrative support for the Town Council and staff. One position would function as a Town Clerk who would serve as the official keeper of the municipal records.¹² The Clerk would be responsible for preparing, packaging, and distributing agendas, keeping minutes for legislative and committee meetings, maintaining all Town documents including resolutions and municipal codes, and responding to public record requests. The Town Clerk would also administer local elections. The second position would provide general administrative support, including human resources, contract management, and risk management functions.
- Finance Staff – a Finance Director would be responsible for treasury, accounting, reporting and several contract management duties. The Finance Director would also oversee preparation of the Annual City Budget.
- Community Development Staff – Two positions would be dedicated to the Community Development Department. One would be the Community Development Director who would be responsible for managing the planning, building, and engineering activities of the Town, including procurement, direction and managing contracts of consultants and contract staff for these functions. RSG has assumed the County would be contractor of choice for the Town for many of these services based on the expressed interest of the County and the fact this is not uncommon elsewhere in the state. A single, full-time Associate Planner would assist the Town with planning, annual reporting, and other day-to-day planning needs of the City.

¹² Most small cities in California maintain a separate city clerk position. A rare few employ the city manager to serve both official positions with a deputy city clerk to provide day-to-day support.

- Public Works Staff - a Public Works Director would be responsible for overseeing all road maintenance and snow removal contracts. In addition, a small part of their time would be spent overseeing any park maintenance contracts.
- Each department would also incur costs related to general supplies and services, travel and memberships, biannual municipal elections, and capital outlay for equipment and software. During the transition period, the new Town will need to undertake recruitment for full-time staff and obtain administrative support for the transition of services to the City. Typically, new cities retain consultants to provide these services during the transition period. RSG estimated this cost based on experience with similar assignments.
- City Attorney – It is assumed that the Town would retain legal services on a contract with a qualified attorney. Annual legal counsel costs initially would be higher as the City establishes policies and ordinances. Costs were estimated based on consideration of nearby cities and inflated at a 2.1 percent annual rate.
- Finance – The Finance Department would be responsible for treasurer and accounting services. The Finance Department would retain a payroll service and an auditor to assist with the Town's annual financial statements and annual report, and would also incur incidental supplies, services and capital outlay costs. RSG estimated these incidental Finance Department costs based on the SVPSD budget.
- Non-Departmental – Non-departmental expenses include lease and operation of office and meeting space for City Hall (assumed to be \$1.37 per square foot based on a survey of available appropriate office spaces) for a 2,500 square feet of office space. An additional 35 percent expense ratio was added to the lease payments for office expenses. City Hall lease and operations were assumed to increase at a 3 percent rate annually. Other non-departmental costs include insurance, which was estimated to be 2.5 percent of General Fund Revenue based on comparably-sized cities, and increased by 2.1 percent annually.

COMMUNITY DEVELOPMENT

The County CDRA currently provides planning, building inspection, engineering and code enforcement services to the incorporation area. This includes implementation of the General Plan and Zoning Code, ensuring compliance with environmental laws, field and construction inspections, assigning property addresses, permit issuance, construction drawing review, and review and approval of Grading permits, Improvement Plans, Parcel Maps, and boundary line adjustments. Upon incorporation, the Town's Community Development Department would oversee planning, building inspection, engineering and code enforcement. Two full-time positions are recommended for this Department; with additional support for these services would be contracted with the appropriate County agency, private firm, or another public entity. Costs for these services were determined based on salaries and benefits for proposed staff, and the existing level of service provided by the County and associated costs. The Town's full-time Community Development Director would be responsible for ensuring the services are carried out competently. Costs were based on salary surveys and County data, and inflated by 2.1 percent annually.

The Town would initially adopt the County's General Plan and Environmental Impact Report ("EIR") for the area, but would need to adopt its own General Plan, Housing Element, and associated environmental documentation within 30 months of incorporation. This will ensure local land use control. Following the adoption of their General Plan, the City will need to construct and adopt a zoning code as well. Based on estimates provided by LAFCO's consultant, the cost of the General Plan and the corresponding EIR is estimated to be \$500,000, and the cost of the Zoning Code is

estimated to be \$100,000. The General Plan and Zoning Code must be completed concurrently to achieve such cost savings. It is important to note that RSG received several quotes from consultants that estimated these total costs could be over \$1 million. There are clearly a wide range of options available, and the new Town Management and Council will have to decide the best course of action.

The Town can file for a two year extension on top of the originally-allowed 30 months, as detailed under Section 65631 of the California Government Code. It is RSG's experience that this is not uncommon. For the purposes of this report, the costs associated with the General Plan and Zoning Code were spread out over the first three years of incorporation.

ANIMAL CONTROL

Placer County Animal Services currently provides animal control services to Olympic Valley. Contracting with the County to provide these services would be the most cost-effective strategy. In fiscal year 2014-15, a contract with the County for these services would cost \$14,900. As compared to the current cost, this contract estimate is materially greater, but is based on the County's best estimate of a contract to provide this service. RSG adjusted County Animal Control contract services for inflation at a rate of 2.1 percent with additional consideration for population increases.

PARKS AND RECREATION

The County currently maintains recreational facilities within the Squaw Valley Community Plan Area, which is within the proposed Town boundary. Facilities in the Community Plan Area include 3.5 miles of a bike trail and the Squaw Valley Park, which consists of picnic areas, a pickleball court, a playground, and a soccer field. According to the County, the new Town would be responsible for maintaining these facilities.

Currently, the County contracts with the TCPUD and the SVPD to maintain the park and bike trail. The County renewed its contract with TCPUD to provide landscape and irrigation system services in July 2014 for \$29,476. If Olympic Valley takes over that contract, TCPUD does not anticipate a significant increase in costs. However, capital replacement funding may need to be worked into the new Town's contract with TCPUD, as this is not included in the contract with the County currently. As such, this analysis includes a 10 percent capital replacement funding reserve.

The SVPD provides snow removal services for the bike trail on behalf of the County. This service is paid for by NLTRA out of its TOT sharing revenue. Should the new Town decide to discontinue funding for regional services provided by the County and the NLTRA, snow removal services on the bike trail may be discontinued.

Some of the costs to maintain the park and bike trail will be offset with fees charged to utilize the park. The County collected \$14,118 in park user fees in fiscal year 2013-14.

Revenue collected by a County Service Area ("CSA") goes to fund Parks & Recreation services within Olympic Valley. This CFA assumes the CSA would not be dissolved as a result of incorporation. It is assumed the CSA would continue to function as is, providing all services they currently provide, and retaining all revenues that they currently receive. As such, there is no impact on the CSA and no discussion within the CFA concerning revenues or costs associated with the CSA functions.

FIRE PROTECTION

Currently both the California Department of Forestry and Fire Protection (CalFire) and the SVPD provide fire protection to Olympic Valley. In general, CalFire responds to wildfires, while the SVPD provides structural fire protection and fire prevention services. Under incorporation, these services

would continue unchanged (dissolution of the SVPD is discussed in Alternative 2). CalFire typically provides services to unincorporated county areas known as State Responsibility Area ("SRA"). To mitigate the State's cost for such services, CalFire levies a fee on property owners within the SRA to fund wildfire protection services. Under Section 4212 of the California Public Resources Code, the SRA mitigation fee charged to unincorporated property owners adjusts annually to account for inflation. As of July 1, 2014, the fee is \$152.33 per habitable structure. Owners of habitable structures who are also within the boundaries of a local fire protection agency receive a reduction of \$35 per habitable structure.

Should the Olympic Valley incorporation succeed, Olympic Valley would be reclassified from SRA to a Local Responsibility Area ("LRA"); CalFire does not levy a mitigation fee on property owners within incorporated areas. Instead, the new Town would be responsible for a per-acre service fee if it opted to enter into a contract with CalFire to continue to provide wildfire protection to the LRA. However, if the Town opted not to contract with CalFire, the Town itself would be responsible for fire services in LRA territory, including any costs incurred by CalFire for responding to a fire within the LRA area. This option is believed to be significantly infeasible given the amount of wild land areas around the Town and the extraordinary costs for such emergency services.

In consultation with CalFire and local fire officials, RSG has assumed that the Town would enter into a contract with CalFire, similar to nearby Truckee. The Town's assumed cost for CalFire services was based on the charges incurred by Truckee who pays CalFire a per-acre service fee levied on all undeveloped, rural acreage within a jurisdiction. Based on information from the SVPD's fire department, this area in Olympic Valley would be about 5,662 acres. Using the per acre fee of \$23.01, plus a 11.97 percent administrative fee charged in Truckee, the CalFire contract would cost \$152,160 during the transition year, with an inflation rate of 2.1 percent thereafter. This inflation rate mirrors the SRA fee inflation rate prescribed in Section 4212 of the California Public Resources Code.

LAW ENFORCEMENT

Presently, the County Sheriff provides most law enforcement services to the community, with the exception of traffic calls on local streets and along roughly six miles of State Highway 89, which are currently provided by the California Highway Patrol ("CHP") and paid by the State General Fund. Incorporation would result in the transfer of responsibility for all law enforcement services, including traffic enforcement on local streets, except those provided by the CHP along State Highway 89. Cities of this size typically establish a contract with the County Sheriff due to the economies of scale and limited capital costs as compared to creating a separate police department. There are several examples of this throughout Placer County and the state.

Working with the Sheriff's Department, RSG developed estimates of current (fiscal year 2014-15) service costs, and potential contract costs for law enforcement services. It is important to note that potential contract costs are based on a proposed service model. The new Town Council would have the option to adjust the proposed service model and negotiate a different contract with the Sheriff's Department.

For the purposes of this report, RSG worked with the Sheriff's Department to devise a reasonable service model that sufficiently meets the current law enforcement demands of the Olympic Valley area. Currently, Olympic Valley is part of the regional Tahoe Basin Sheriff's patrol area and, like all communities within the Tahoe Basin, Olympic Valley does not have its own dedicated officers. However, the Sheriff's department is still responsible for responding to all law enforcement calls within Olympic Valley. In the past five years, the Sheriff's Department responded to 8,072 deputy service calls, 8,112 dispatch calls, and 14 coroner cases in Olympic Valley. Comparing those numbers to the Tahoe Basin area as a whole, Olympic Valley is responsible for 10.99 percent of the

deputy services calls, 1.78 percent of the dispatch calls, and 0.32 percent of the coroner cases. Applying these percentages to the Sheriff's 2014-15 budget, the costs to provide law enforcement services in Olympic Valley in FY 2014-15 is roughly \$1.2 million. The proposed service model is designed to adequately meet the existing service demands of the Olympic Valley area as well as take over local traffic enforcement from CHP. The proposed contract is estimated to cost \$1,427,397 million in FY 2014-15. The estimated contract costs are inflated by a rate of 2.1 percent with additional consideration for population increases.

PUBLIC WORKS

This department would be responsible for administration of public works in the Town, primarily related to road maintenance and snow plowing. These services would be funded first by the Road Fund using Gas Tax revenues. As seen in the Fund Summary in Appendix 2, the Road Fund will encounter deficits in all years of the projections, which is very common in California. The General Fund could subsidize the Road Fund, but that would be a policy decision for the new Town Council to make. Public Works Department activities require a qualified Public Works Director as well as contracts with a public or private entity to execute service provision. Costs for these services were determined based on a salary survey, and the existing level of service provided by the County and associated costs. The Public Works Director's salary and the contracts were inflated at 2.1 percent annually.

Besides contracts for road maintenance and snow removal, costs for road maintenance, snow removal supplies, and overhead were also taken into consideration based on the County's current costs. Whether the new Town contracts with the County or another entity, there will be costs associated with materials to repair roads, equipment, and maintenance of vehicles. These costs were inflated at 2.1 percent annually. The General Fund forecast also includes a CalTrans reimbursement for the operation of the traffic signal at Squaw Valley Road and State Route 89 based on actual costs in 2013-14.

Following incorporation, the Town would be responsible for meeting federal clean water requirements, including maintaining a National Pollution Discharge Elimination System ("NPDES") permit. The NPDES program seeks to address urban runoff issues through public education, storm drain clearance, monitoring of intake and release infrastructure, and public improvements to increase water quality levels. Presently, these requirements are met by the County and it would be both efficient and cost-effective to have the County continue providing these services on a contract basis at a cost of \$13,000 per year inflated by 2.1 percent.

The Town would also be required to establish a recycling program pursuant to AB 939, which calls for a 50 percent diversion of all solid waste from landfills. To calculate the expenditures of doing so, RSG examined the nearby community of Truckee and their costs per person spent on AB 939 fees, and then applied the same per-capita rate to Olympic Valley. It is estimated that this expenditure would be a nominal amount of approximately \$500 per year. The City would need to contract for this service, and would likely partner with Tahoe Truckee Sierra Disposal ("TTSD"), who already provides these kinds of services throughout the region.

It is critical to note that aside from what may be funded by the TOT revenues dedicated under Measure F and other TOT funds that may be committed to NLTRA described earlier in this Report, no funds in Olympic Valley have been budgeted for capital improvement projects. As the new City grows and assumes services from the County and outside consultants, the requirements for facilities, vehicles, and other major equipment may be apparent.

CONTINGENCY AND RESERVE FUND

As a precautionary measure, a 10 percent contingency factor of estimated expenditures has been used in these projections in the event of unforeseeable expenses. The contingency is not a fund, but represents unknown discretionary expenditures. The 2002 Guidelines advise the use of a contingency factor of 10-20 percent of costs, in addition to a reserve fund of at least 10 percent. However, a reserve fund equal to 30 percent of General Fund revenues is used in this CFA forecast after consultation with the LAFCO Executive Officer and evaluation of data available from smaller, newer, and post-Proposition 13 cities. Reserves are needed to protect a city against unforeseen events, be they legislative (such as the shifting of property taxes to school districts as the State mandated several instances over the past 20 years), economic, or climate-related.

RSG analyzed and collected information on reserves among 61 cities throughout California with an emphasis on small cities, mountain communities, and relatively young cities. A 30 percent reserve was the average amongst the 61 cities surveyed. Even among newer cities, excluding Menifee and Jurupa Valley which are struggling and unable to fund any reserve, the average reserve is 29 percent. While the Guidelines indicate a minimum of 10 percent is recommended, it seems that only cities with financial difficulties are funding reserves that low.

Additionally, Olympic Valley's local tax base is much less diversified than most surveyed. RSG researched Menifee, Jurupa Valley, Eastvale, and Wildomar, all recently incorporated cities, as well as La Habra Heights, Etna, Point Arena, and Industry, all cities with a smaller population than Olympic Valley, and none had such a heavy reliance on a single revenue source as Olympic Valley. Squaw Valley Resort generates the overwhelming majority of the TOT as well as being the largest property owner in Olympic Valley. Because of Olympic Valley's reliance on TOT, and the results of research performed, a 30 percent reserve has been included in this analysis.

Figure 18 presents a summary of these General Fund reserves based on our current research and recent surveys.

Figure 18 - General Fund Reserves

	Count	Lowest	Highest	Mean
Small Cities (Populations of 20,000 or Less)				
City of Ceres Survey (2014)	10	15%	40%	26%
CSMFO Survey (2013)	18	10%	80%	34%
Mountainous Cities				
RSG Research	4	25%	41%	30%
Post-Prop 13 Cities				
City of Ceres Survey (2014)	11	15%	120%	34%
CSMFO Survey (2013)	9	0%	120%	39%
New Cities (Incorporated Since 2000)				
RSG Research	9	0%	100%	29%

The reserve is primarily established during the transition year because a funding surplus exists. The amount set aside is equal to 30 percent of the revenue received in Year 2. Starting in Year 3, deposits into the reserve fund are much lower, serving to maintain the 30 percent funding level as revenues increase.

IMPACTS ON EXISTING AGENCIES

COUNTY TRANSITION YEAR REPAYMENTS

The calculation to determine the City's transition year repayment to the County is shown in Figure 19. This analysis identifies what items the County is funding during the transition period and how the new City will repay the County over a five-year time period. The Town's annual payment of \$117,634 is included as General Fund expenditure in the forecast.

Figure 19 - Transition Year Loan

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Computation of Amount Loaned											
Expenditures, Net of Offsets (2013-14)											
Community Development	59,235										
Public Works - Road Maintenance & Snow Removal	87,353										
Sheriff	1,257,612										
Facilities - Parks	27,889										
HHS - Animal Services	7,295										
Total	1,439,385										
3 Year Inflation Adjust. at 2.1%	93,615										
Total Costs in 2016-17		1,533,000									
Less: Revenues Retained by County in 2016-17											
Property Tax	(826,830)										
Sales Tax	(118,000)										
Fines & Forfeitures (Non-offset)	-										
Total		(944,830)									
Transition Year Costs to County		588,170									
Transition Year Loan / Repayment		\$ (588,170)	\$ 117,634	\$ 117,634	\$ 117,634	\$ 117,634	\$ 117,634	\$ -	\$ -	\$ -	\$ -
Annual Payment (Loan Amount / 5)		117,634									

REVENUE NEUTRALITY MITIGATION PAYMENTS

It should be noted that the amount, duration, and terms of any revenue neutrality payments are all subject to negotiation between the County and the incorporation representatives. The final payment amounts may vary from the above estimates, and this CFA will be updated should the parties reach agreement on a revenue neutrality program.

In 1992, Senate Bill 1559 was enacted to reduce the negative fiscal impact incorporations can have on counties and other affected agencies. Pursuant to SB 1559, as codified in Government Code Section 56815, LAFCO cannot approve a proposal for incorporation unless it finds that the amount of revenues the new city received from the county and affected agencies after incorporation would be substantially equal to the amount of savings the county or the affected agencies would attain from no longer providing services to the proposed incorporation area.

Because revenue neutrality has not yet been discussed and is pending the release of this Draft CFA, the potential payments are not yet known. The actual payment will be determined during negotiations between the proponents and the County. Figure 20 presents two computations of the potential revenue neutrality payment from the Town to the County, based on the two different TOT scenarios discussed earlier in the TOT revenue analysis.

Scenario 1 shows the potential revenue neutrality payment if going forward, revenue collected from the Measure F levy would be used to fund regional infrastructure projects. Scenario 2 shows the potential payment if the entire 6 percent of the 10 percent levy were to go to fund infrastructure projects as it is now. These scenarios are discussed further in the Conclusion.

Figure 20 - Revenue Neutrality Payment

Base Year 2013-14

Scenario 1: Potential Payment with 2% TOT Transferred to City and Spent on Projects		Scenario 2: Potential Payment with 6% TOT Transferred to City and Spent on Projects	
Revenue Transferred		Revenue Transferred	
Property Tax	\$ 737,053	Property Tax	\$ 737,053
Sales Tax (Including In-Lieu)	461,390	Sales Tax (Including In-Lieu)	461,390
Property Transfer Tax	35,960	Property Transfer Tax	35,960
Measure F 2% Transit Occupancy Tax Levy	642,093	Measure F 2% Transit Occupancy Tax Levy	642,093
8% Transit Occupancy Tax Base Rate	2,568,373	8% Transit Occupancy Tax Base Rate	2,568,373
Fines & Forfeitures (Cost Offset)	-	Fines & Forfeitures (Cost Offset)	-
Franchise Fees	20,600	Franchise Fees	20,600
Total Revenue Loss to County	\$ (4,465,468)	Total Revenue Loss to County	\$ (4,465,468)
Expenses Transferred (Net of Revenue Offsets)		Expenses Transferred (Net of Revenue Offsets)	
Community Development	\$ 59,235	Community Development	\$ 59,235
Public Works - Road Maintenance & Snow Removal	87,353	Public Works - Road Maintenance & Snow Removal	87,353
Sheriff	1,257,612	Sheriff	1,257,612
Facilities - Parks	27,889	Facilities - Parks	27,889
HHS - Animal Services	7,295	HHS - Animal Services	7,295
Measure F Funded Infrastructure Projects	642,093	Infrastructure Projects	1,926,280
Total Expenditure Reduction	\$ 2,081,478	Total Expenditure Reduction	\$ 3,365,664
County Property Tax Admin. Fee of 0.18%	1,357	County Property Tax Admin. Fee of 0.18%	1,357
Net Revenue Impact to County - Positive/(Negative)	(2,382,633)	Net Revenue Impact to County - Positive/(Negative)	(1,098,447)
Potential Revenue Neutrality Payment	\$ 2,382,633	Potential Revenue Neutrality Payment	\$ 1,098,447

PROVISIONAL APPROPRIATIONS LIMIT

Figure 21 presents the computation of the provisional appropriations limit for Olympic Valley. The appropriations limit is the amount of money that a governmental agency can spend in one fiscal year. Also referred to as "The Gann Limit," voters approved this initiative in 1979 which set a constitutional appropriations limit on governmental agencies. RSG calculated \$5,120,020 as the Provisional Appropriation Limit based on \$56812 and the City's projected first fiscal year of tax proceeds in 2017-18. Without a balanced budget, it is notable that the Provisional Appropriations Limit would be lower than the proposed City budget in fiscal year 2017-18.

Figure 21 - Appropriations Limit

2017-18 Estimates	
<hr/>	
Proceeds of Taxes to City	
Property Taxes	\$ 909,700
Sales Taxes (including in-lieu fees)	478,800
Property Transfer Taxes	40,900
Transient Occupancy Tax	3,554,900
Off Highway Vehicle License	80
Gas Taxes (2105)	3,800
Gas Taxes (2106)	2,100
Gas Taxes (2107)	5,300
Gas Taxes (2107.5)	1,000
Subtotal	<hr/> 4,996,580
Interest Earnings	<hr/> 10,413
Total	<hr/> 5,006,993
Cost of Living Factor ¹	2.13%
Population Growth ²	1.50%
2017-18 Provisional Limit	\$ 5,190,197

¹ Consumer Price Index

² RSG Projected Population Growth, 2017-18

CONCLUSIONS

Appendices 2 through 5 present summary projections for the Town's General Fund and Road Fund by scenario, followed by more detailed projections of revenues and expenditures by source and department. As stated earlier, these conclusions are based on an assumption of revenue neutrality payments, which may be altered should the parties reach agreement on a different payment structure. Should that occur, the CFA will be updated.

SCENARIO 1

In Scenario 1, the Measure F (extra 2 percent TOT levy) revenue is assumed be transferred to the new Town, which would in turn either expend these funds on infrastructure as stipulated in the measure, or transfer these to NLTRA for the same purposes, as per NLTRA's current agreement with the County. The Town would retain the remaining 8 percent TOT levy.

- RSG projects a General Fund surplus in the Transition Year of \$279,109 after the 30 percent reserve is met. A General Fund revenue deficit of \$1,070,308 is projected in fiscal year 2017-18, after the potential revenue neutrality payment is taken into account and the reserve fund deposit is made.
- Thereafter, RSG projects that incorporation may not be feasible as expenditures, including potential revenue neutrality payments and a reserve funding, could exceed revenues by as much as \$1.2 million by 2025-26, with the cumulative deficit rising to over \$3 million in 2021-22.
- Road Fund expenditures would exceed revenues throughout the term of our forecast, meaning that the Town would not have sufficient funding for projected road maintenance costs. It is unclear at this point whether a more favorable revenue neutrality agreement could benefit the Town's Road Fund.

SCENARIO 2

Scenario 2 mirrors the current allocation plan, wherein the County utilizes both the 2 percent Measure F levy and half of the remaining 8 percent for regional services and shares a portion with the NLTRA for infrastructure and other NLTRA activities. As such, RSG has assumed the Town would expend both the 2 percent Measure F levy proceeds and half (4 percent) of the remaining 8 percent TOT levy to fund regional services and infrastructure projects consistent with the current County-NLTRA agreement. The effects of Scenario 1B are generally a reduction in potential revenue neutrality payments and revenues available to the Town's General Fund.

- RSG projects a General Fund deficit in the Transition Year of \$1,145,681 after the 30 percent reserve is met. A General Fund revenue deficit of \$2,643,172 is projected in fiscal year 2017-18 after potential revenue neutrality payments and reserve funding are taken into account, with a cumulative deficit of \$9.2 million by 2025-26.
- Thereafter, RSG projects that incorporation may not be feasible as expenditures, including the potential revenue neutrality payment, could exceed revenues by as much as \$1.6 million through fiscal year 2025-26. The General Fund 30 percent reserve could not be established given the deficit projected in the transition year, and the General Fund would not have sufficient revenues to meet projected expenditures.
- Road Fund expenditures would exceed revenues throughout the term of our forecast, meaning that the Town would not have sufficient funding for projected road maintenance costs. It is unclear at this point whether a more favorable revenue neutrality agreement could benefit the Town's Road Fund.

SCENARIOS 3 & 4

RSG was directed by LAFCO to prepare a pair of scenarios in which revenues change annually based upon historical rates of growth, instead of being contingent upon future development. Scenarios 3 and 4 therefore reflect a more conservative forecast, for comparison. Specifically, RSG reviewed historical rates of growth for assessed value, sales tax, property transfer tax, and other revenue streams. Utilizing an average annual inflation factor, Scenarios 3 and 4 were developed to illustrate the likely revenues and expenditures in Olympic Valley if no new development was proposed, beyond the limited growth the area has seen over the last several years. In most cases, RSG was able to obtain at least seven years of historical data to form the basis of the inflationary rates. Scenario 3 makes the same assumptions for the allocation of Measure F funds and the TOT revenue as set forth in Scenario 1, while Scenario 4 makes the same assumptions for the allocation of Measure F funds and the TOT revenue that were set forth in Scenario 2.

ALTERNATIVE SCENARIOS

RSG analyzed two alternatives to the incorporation proposal in Appendix 1, including one that entails a smaller geographic area and another that assumes dissolution of the SVPSD with their services and revenues consolidated with the Town who would take on these revenues and costs. Neither of these alternatives were fiscally superior to the proposed incorporation.

APPENDIX 1 - ALTERNATIVES

ALTERNATIVE 1 - SELECTIVE EXCLUSION

During an incorporation process, LAFCO may consider alternative boundary scenarios from what was proposed by the Proponent group. One alternative LAFCO asked RSG to consider was the “Selective Exclusion” alternative boundary. Throughout the Olympic Valley incorporation process thus far, LAFCO has received numerous letters from property and business owners opposed to incorporation requesting that their property or properties be excluded from the incorporated Town of Olympic Valley should it come into being. It is understandable that affected parties wish to voice their concerns, especially given that many property owners are not full-time residents and are not registered to vote in the area. However, at this time, the incorporation process does not allow select parties to opt out of a proposed incorporation. With no legal foundation to exclude parties opposed to incorporation and with the exclusion further weakening the economic base of the proposed town, we do not consider the “Selective Exclusion” alternative boundary as a feasible option.

In addition, LAFCO’s first priority is “to encourage the orderly formation of local governmental agencies.” Selective exclusion of specific parcels would create in an illogical boundary for an independent municipality and would result in inefficient provision of services. The County would have to continue to provide services to the selectively excluded parcels while the rest of the area would be serviced by the new Town, placing unnecessary burden on both the County and new Town.

ALTERNATIVE 2 - DISSOLUTION OF SVPSD

LAFCO’s first priority is “to encourage the orderly formation of local governmental agencies.” This means LAFCO can look at the boundaries of cities and/or districts to determine if efficiencies would be created by shifting or dissolving those boundaries. The proposed Olympic Valley boundary follows the boundary of the SVPSD. While both the new Town and the existing service district can coexist, another option would be to dissolve the SVPSD and transfer the service responsibilities to the new Town. It is possible that this would create some efficiencies and cost-saving mechanisms for the new Town and its residents. For example, management, governance, and overhead costs could be consolidated and reduced if the two agencies merged. The new Town would be responsible for providing the services provided by the SVPSD now, which include water, sewer, and structural fire protection. In general, the new Town’s costs would increase as it takes on those services. However, the new Town would also receive the revenue the SVPSD receives now through water and sewer fees and property tax revenue. While there could be some cost savings achieved that would result in surplus revenue, for purposes of this analysis, the net effect on the new Town of dissolving the SVPSD would be zero.

APPENDIX 2 – FUND SUMMARY – SCENARIO 1

Measure F Revenue Transferred to City and Spent on Infrastructure Projects

General Fund	Annual City General Fund Operating Budget									
	Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Beginning Fund Balance	\$ -	1,896,130	546,713	(412,954)	(761,461)	(847,878)	(861,785)	(633,878)	(314,851)	353,606
Revenues by Source										
Property Taxes	-	909,700	979,700	1,097,200	1,196,400	1,263,500	1,333,300	1,385,500	1,424,500	1,463,400
Sales Taxes (including In-Lieu)	235,600	478,800	566,300	683,200	724,100	770,600	797,400	847,200	876,200	894,900
Property Transfer Taxes	34,900	40,900	77,800	112,300	100,300	83,000	87,500	72,300	57,900	59,400
Transient Occupancy Taxes	3,480,700	3,554,900	4,258,500	4,657,300	4,788,600	4,890,600	4,994,900	5,101,300	6,054,300	6,470,800
Off Highway License Subvention	80	80	80	80	80	90	90	90	90	90
Park User Fees	-	15,700	16,100	17,000	17,900	18,900	19,800	20,300	20,900	21,400
Animal Control Licenses	-	290	290	310	330	340	360	370	380	390
Fines & Forfeitures	-	34,800	42,500	45,100	46,300	47,500	48,700	49,800	60,100	61,500
Franchise Fees	-	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600
Community Development Fees	-	324,000	330,800	337,800	344,900	352,100	359,600	367,200	375,000	382,900
Interest Earnings	35,600	10,300	-	-	-	-	-	-	6,600	25,200
Total General Fund Revenue	3,786,880	5,390,070	6,292,670	6,970,890	7,239,510	7,447,230	7,662,250	7,864,660	8,896,570	9,400,580
Expenditures by Department										
Town Council	23,420	23,630	23,840	24,050	24,260	24,470	24,680	24,890	25,200	25,510
Management	263,500	354,700	361,500	369,800	376,900	392,600	392,800	401,900	409,400	418,600
City Attorney	152,100	104,300	106,500	108,800	111,100	113,500	115,900	118,400	120,900	123,500
Finance	150,100	165,600	169,100	172,700	176,300	182,300	183,800	187,700	191,700	195,700
Community Development	38,000	682,610	691,750	551,130	460,560	477,230	480,240	490,390	500,780	511,310
Public Works - Other	15,310	147,310	150,410	153,630	156,850	164,860	163,580	166,980	170,490	173,990
Animal Control	-	16,200	16,600	17,600	18,500	19,500	20,500	21,100	21,600	22,200
Law Enforcement	141,600	1,383,300	1,688,600	1,792,200	1,838,800	1,885,600	1,934,200	1,976,900	2,387,500	2,439,500
Parks & Recreation	-	31,400	32,070	32,750	33,450	34,160	34,890	35,630	36,390	37,170
CalFire	152,200	155,400	158,700	162,100	165,600	169,100	172,700	176,400	180,100	184,000
Non-Departmental	149,380	142,790	146,300	149,910	153,620	157,430	161,440	165,450	169,560	173,870
2% Measure F Infrastructure Projects	696,140	710,980	851,700	931,460	957,720	978,120	998,980	1,020,260	1,210,860	1,294,160
Contingency (10% of Dept. Expenditures)	109,000	321,000	355,000	353,000	352,000	362,000	368,000	377,000	421,000	431,000
Transition Year Loan	-	117,634	117,634	117,634	117,634	117,634	-	-	-	-
Total General Fund Expenditures	1,890,750	4,356,854	4,869,704	4,936,764	4,943,294	5,078,504	5,051,710	5,163,000	5,845,480	6,030,510
Net Revenue / (Deficit) BEFORE Rev Neutrality	1,896,130	1,033,216	1,422,966	2,034,126	2,296,216	2,368,726	2,610,540	2,701,660	3,051,090	3,370,070
Potential Revenue Neutrality Payment	-	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633
Total General Fund Expenditures	1,890,750	6,739,487	7,252,337	7,319,397	7,325,927	7,461,137	7,434,343	7,545,633	8,228,113	8,413,143
Net Revenue / (Deficit) AFTER Rev Neutrality	1,896,130	(1,349,417)	(959,667)	(348,507)	(86,417)	(13,907)	227,907	319,027	668,457	987,437
Fund Balance	1,896,130	546,713	(412,954)	(761,461)	(847,878)	(861,785)	(633,878)	(314,851)	353,606	1,341,044
Recommended Reserve Fund Deposits	1,617,021	-	270,780	203,466	80,586	62,316	64,506	60,723	309,573	151,203
Recommended Reserve Fund Balance	1,617,021	1,617,021	1,887,801	2,091,267	2,171,853	2,234,169	2,298,675	2,359,398	2,668,971	2,820,174
Financial Position with a Funded Reserve	279,109	(1,070,308)	(2,300,755)	(2,852,728)	(3,019,731)	(3,095,954)	(2,932,553)	(2,674,249)	(2,315,365)	(1,479,130)
Reserve as % of Rev / % of Exp	43% / 86%	30% / 24%	30% / 26%	30% / 29%	30% / 30%	30% / 30%	30% / 31%	30% / 31%	30% / 32%	30% / 34%

APPENDIX 2 (CONTINUED)

Road Fund	Annual City Road Fund Operating Budget									
	Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Beginning Fund Balance	\$ -	12,000	(210,337)	(437,737)	(669,937)	(906,987)	(1,148,937)	(1,396,007)	(1,648,457)	(1,906,557)
Revenues by Source										
Gas Tax (Sec. 2105)	3,800	3,800	3,900	4,000	4,100	4,300	4,400	4,400	4,400	4,400
Gas Tax (Sec. 2106)	2,000	2,100	2,100	2,100	2,200	2,300	2,300	2,400	2,400	2,400
Gas Tax (Sec. 2107)	5,200	5,300	5,300	5,500	5,600	5,800	5,980	6,000	6,000	6,100
Gas Tax (Sec. 2107.5)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Gas Tax (Sec. 2107 - Snow Removal)	-	64,750	66,100	67,500	68,950	70,450	71,950	73,450	75,000	75,000
Interest Earnings	-	113	-	-	-	-	-	-	-	-
Total	12,000	77,063	78,400	80,100	81,850	83,850	85,630	87,250	88,800	88,900
Expenditures by Department										
Road Maintenance	-	299,400	305,800	312,300	318,900	325,800	332,700	339,700	346,900	354,300
Total	-	299,400	305,800	312,300	318,900	325,800	332,700	339,700	346,900	354,300
Net Revenue / (Deficit)	12,000	(222,337)	(227,400)	(232,200)	(237,050)	(241,950)	(247,070)	(252,450)	(258,100)	(265,400)
Ending Road Fund Balance	12,000	(210,337)	(437,737)	(669,937)	(906,987)	(1,148,937)	(1,396,007)	(1,648,457)	(1,906,557)	(2,171,957)

APPENDIX 3 – FUND SUMMARY – SCENARIO 2

All TOT Transferred to City, 60 percent Spent on Infrastructure Projects

General Fund	Annual City General Fund Operating Budget									
	Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Beginning Fund Balance	\$ -	468,250	(1,029,241)	(2,408,121)	(3,335,362)	(4,053,032)	(4,738,993)	(5,224,859)	(5,662,166)	(6,137,842)
Revenues by Source										
Property Taxes	-	909,700	979,700	1,097,200	1,196,400	1,263,500	1,333,300	1,385,500	1,424,500	1,463,400
Sales Taxes (including In-Lieu)	235,600	478,800	566,300	683,200	724,100	770,600	797,400	847,200	876,200	894,900
Property Transfer Taxes	34,900	40,900	77,800	112,300	100,300	83,000	87,500	72,300	57,900	59,400
Transient Occupancy Taxes	3,480,700	3,554,900	4,258,500	4,657,300	4,788,600	4,890,600	4,994,900	5,101,300	6,054,300	6,470,800
Off Highway License Subvention	80	80	80	80	80	90	90	90	90	90
Park User Fees	-	15,700	16,100	17,000	17,900	18,900	19,800	20,300	20,900	21,400
Animal Control Licenses	-	290	290	310	330	340	360	370	380	390
Fines & Forfeitures	-	34,800	42,500	45,100	46,300	47,500	48,700	49,800	60,100	61,500
Franchise Fees	-	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600
Community Development Fees	-	324,000	330,800	337,800	344,900	352,100	359,600	367,200	375,000	382,900
Interest Earnings	8,800	-	-	-	-	-	-	-	-	-
Total General Fund Revenue	3,751,280	5,379,770	6,292,670	6,970,890	7,239,510	7,447,230	7,662,250	7,864,660	8,889,970	9,375,380
Expenditures by Department										
Town Council	23,420	23,630	23,840	24,050	24,260	24,470	24,680	24,890	25,200	25,510
Management	263,500	354,700	361,500	369,800	376,900	392,600	392,800	401,900	409,400	418,600
City Attorney	152,100	104,300	106,500	108,800	111,100	113,500	115,900	118,400	120,900	123,500
Finance	150,100	165,600	169,100	172,700	176,300	182,300	183,800	187,700	191,700	195,700
Community Development	38,000	682,610	691,750	551,130	460,560	477,230	480,240	490,390	500,780	511,310
Public Works - Other	15,310	147,310	150,410	153,630	156,850	164,860	163,580	166,980	170,490	173,990
Animal Control	-	16,200	16,600	17,600	18,500	19,500	20,500	21,100	21,600	22,200
Law Enforcement	141,600	1,383,300	1,688,600	1,792,200	1,838,800	1,885,600	1,934,200	1,976,900	2,387,500	2,439,500
Parks & Recreation	-	31,400	32,070	32,750	33,450	34,160	34,890	35,630	36,390	37,170
CalFire	152,200	155,400	158,700	162,100	165,600	169,100	172,700	176,400	180,100	184,000
Non-Departmental	149,380	142,790	146,300	149,910	153,620	157,430	161,440	165,450	169,560	173,870
Infrastructure Projects	2,088,420	2,132,940	2,555,100	2,794,380	2,873,160	2,934,360	2,996,940	3,060,780	3,632,580	3,882,480
Contingency (10% of Dept. Expenditures)	109,000	321,000	355,000	353,000	352,000	362,000	368,000	377,000	421,000	431,000
Transition Year Loan	-	117,634	117,634	117,634	117,634	117,634	-	-	-	-
Total General Fund Expenditures	3,283,030	5,778,814	6,573,104	6,799,684	6,858,734	7,034,744	7,049,670	7,203,520	8,267,200	8,618,830
Net Revenue / (Deficit) BEFORE Rev Neutrality	468,250	(399,044)	(280,434)	171,206	380,776	412,486	612,580	661,140	622,770	756,550
Potential Revenue Neutrality Payment	-	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447
Total General Fund Expenditures	3,283,030	6,877,261	7,671,551	7,898,131	7,957,181	8,133,191	8,148,117	8,301,967	9,365,647	9,717,277
Net Revenue / (Deficit) AFTER Rev Neutrality	468,250	(1,497,491)	(1,378,881)	(927,241)	(717,671)	(685,961)	(485,867)	(437,307)	(475,677)	(341,897)
Fund Balance	468,250	(1,029,241)	(2,408,121)	(3,335,362)	(4,053,032)	(4,738,993)	(5,224,859)	(5,662,166)	(6,137,842)	(6,479,739)
Recommended Reserve Fund Deposits	1,613,931	-	273,870	203,466	80,586	62,316	64,506	60,723	307,593	145,623
Recommended Reserve Fund Balance	1,613,931	1,613,931	1,887,801	2,091,267	2,171,853	2,234,169	2,298,675	2,359,398	2,666,991	2,812,614
Financial Position with a Funded Reserve	(1,145,681)	(2,643,172)	(4,295,922)	(5,426,629)	(6,224,885)	(6,973,162)	(7,523,534)	(8,021,564)	(8,804,833)	(9,292,353)
Reserve as % of Rev / % of Exp	43% / 49%	30% / 23%	30% / 25%	30% / 26%	30% / 27%	30% / 27%	30% / 28%	30% / 28%	30% / 28%	30% / 29%

APPENDIX 3 (CONTINUED)

Road Fund	Annual City Road Fund Operating Budget									
	Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Beginning Fund Balance	\$ -	12,000	(222,337)	(227,400)	(232,200)	(237,050)	(241,950)	(247,070)	(252,450)	(258,100)
Revenues by Source										
Gas Tax (Sec. 2105)	3,800	3,800	3,900	4,000	4,100	4,300	4,400	4,400	4,400	4,400
Gas Tax (Sec. 2106)	2,000	2,100	2,100	2,100	2,200	2,300	2,300	2,400	2,400	2,400
Gas Tax (Sec. 2107)	5,200	5,300	5,300	5,500	5,600	5,800	5,980	6,000	6,000	6,100
Gas Tax (Sec. 2107.5)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Gas Tax (Sec. 2107 - Snow Removal)	-	64,750	66,100	67,500	68,950	70,450	71,950	73,450	75,000	75,000
Interest Earnings	-	113	-	-	-	-	-	-	-	-
Total	12,000	77,063	78,400	80,100	81,850	83,850	85,630	87,250	88,800	88,900
Expenditures by Department										
Road Maintenance	-	299,400	305,800	312,300	318,900	325,800	332,700	339,700	346,900	354,300
Total	-	299,400	305,800	312,300	318,900	325,800	332,700	339,700	346,900	354,300
Net Revenue / (Deficit)	12,000	(222,337)	(227,400)	(232,200)	(237,050)	(241,950)	(247,070)	(252,450)	(258,100)	(265,400)
Ending Road Fund Balance	12,000	(210,337)	(449,737)	(459,600)	(469,250)	(479,000)	(489,020)	(499,520)	(510,550)	(523,500)

APPENDIX 4 – SCENARIO 3

Historic Revenue Growth Scenario (Scenario 1 Assumptions)

General Fund	Annual City General Fund Operating Budget									
	Transition 6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Beginning Fund Balance	\$ -	1,930,828	460,118	(1,027,871)	(2,352,081)	(3,567,409)	(4,811,638)	(5,910,050)	(7,017,441)	(8,134,192)
Revenues by Source										
Property Taxes	-	826,300	838,600	851,000	863,700	876,500	889,500	902,800	916,200	929,900
Sales Taxes (including In-Lieu)	235,600	476,200	481,200	486,300	491,400	496,600	501,800	507,100	512,400	517,800
Property Transfer Taxes	36,500	37,000	37,600	38,200	38,700	39,300	39,900	40,500	41,100	41,700
Transient Occupancy Taxes	3,524,700	3,636,900	3,752,700	3,872,200	3,995,500	4,122,700	4,253,900	4,389,300	4,529,000	4,673,200
Off Highway License Subvention	78	79	79	80	80	81	81	82	82	82
Park User Fees	-	15,600	15,700	15,800	15,900	16,000	16,100	16,200	16,200	16,300
Animal Control Licenses	-	290	290	300	310	320	330	340	340	350
Fines & Forfeitures	-	35,700	25,200	25,800	26,500	27,200	27,800	28,500	29,300	30,000
Franchise Fees	-	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600
Community Development Fees	-	259,200	264,700	270,300	275,900	281,700	287,700	293,800	300,100	306,400
Interest Earnings	36,200	8,600	-	-	-	-	-	-	-	-
Total General Fund Revenue	3,833,078	5,316,469	5,436,669	5,580,580	5,728,590	5,881,001	6,037,711	6,199,222	6,365,322	6,536,332
Expenditures by Department										
Town Council	23,420	23,630	23,840	24,050	24,260	24,470	24,680	24,890	25,200	25,510
Management	263,500	354,700	361,500	369,800	376,900	392,500	392,800	401,800	409,400	418,500
City Attorney	152,100	104,300	106,500	108,800	111,100	113,500	115,900	118,400	120,900	123,500
Finance	150,100	165,600	169,100	172,700	176,300	182,300	183,800	187,700	191,700	195,700
Community Development	38,000	596,400	603,730	461,260	368,800	383,540	384,580	392,720	401,060	409,500
Public Works - Other	15,310	147,310	150,410	153,610	156,820	164,820	163,520	166,930	170,430	173,930
Animal Control	-	16,200	16,600	17,000	17,500	18,000	18,400	18,900	19,500	20,000
Law Enforcement	149,000	1,493,600	1,567,100	1,644,200	1,725,500	1,811,000	1,900,600	1,995,000	2,094,300	2,198,700
Parks & Recreation	-	31,400	32,070	32,750	33,450	34,160	34,890	35,630	36,390	37,170
CalFire	152,200	155,400	158,700	162,100	165,600	169,100	172,700	176,400	180,100	184,000
Non-Departmental	144,680	137,990	141,300	144,810	148,320	152,030	155,840	159,750	163,660	167,770
2% Measure F Infrastructure Projects	704,940	727,380	750,540	774,440	799,100	824,540	850,780	877,860	905,800	934,640
Contingency (10% of Dept. Expenditures)	109,000	323,000	333,000	329,000	330,000	345,000	355,000	368,000	381,000	395,000
Transition Year Loan	-	127,636	127,636	127,636	127,636	127,636	-	-	-	-
Total General Fund Expenditures	1,902,250	4,404,546	4,542,026	4,522,156	4,561,286	4,742,596	4,753,490	4,923,980	5,099,440	5,283,920
Net Revenue / (Deficit) BEFORE Rev Neutrality	1,930,828	911,923	894,643	1,058,424	1,167,304	1,138,405	1,284,221	1,275,242	1,265,882	1,252,412
Potential Revenue Neutrality Payment	-	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633	2,382,633
Total General Fund Expenditures	1,902,250	6,787,179	6,924,659	6,904,789	6,943,919	7,125,229	7,136,123	7,306,613	7,482,073	7,666,553
Net Revenue / (Deficit) AFTER Rev Neutrality	1,930,828	(1,470,710)	(1,487,990)	(1,324,209)	(1,215,329)	(1,244,228)	(1,098,412)	(1,107,391)	(1,116,751)	(1,130,220)
Fund Balance	1,930,828	460,118	(1,027,871)	(2,352,081)	(3,567,409)	(4,811,638)	(5,910,050)	(7,017,441)	(8,134,192)	(9,264,412)
Recommended Reserve Fund Deposits	1,594,941	-	36,060	43,173	44,403	45,723	47,013	48,453	49,830	51,303
Recommended Reserve Fund Balance	1,594,941	1,594,941	1,631,001	1,674,174	1,718,577	1,764,300	1,811,313	1,859,766	1,909,597	1,960,900
Financial Position with a Funded Reserve	335,888	(1,134,822)	(2,658,872)	(4,026,254)	(5,285,986)	(6,575,938)	(7,721,363)	(8,877,207)	(10,043,788)	(11,225,312)
Reserve as % of Rev / % of Exp	42% / 84%	30% / 23%	30% / 24%	30% / 24%	30% / 25%	30% / 25%	30% / 25%	30% / 25%	30% / 26%	30% / 26%

APPENDIX 4 (CONTINUED)

Road Fund	Annual City Road Fund Operating Budget									
	Transition 6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Beginning Fund Balance	\$ -	12,060	(210,422)	(437,887)	(670,402)	(908,042)	(1,151,072)	(1,399,462)	(1,653,182)	(1,912,477)
Revenues by Source										
Gas Tax (Sec. 2105)	3,800	3,800	3,900	3,900	3,900	3,900	3,900	4,000	4,000	4,000
Gas Tax (Sec. 2106)	2,040	2,050	2,070	2,080	2,090	2,100	2,110	2,120	2,140	2,150
Gas Tax (Sec. 2107)	5,220	5,240	5,270	5,300	5,330	5,360	5,390	5,420	5,460	5,490
Gas Tax (Sec. 2107.5)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Gas Tax (Sec. 2107 - Snow Removal)	-	64,715	66,095	67,505	68,940	70,410	71,910	73,440	75,005	76,605
Interest Earnings	-	113	-	-	-	-	-	-	-	-
Total	12,060	76,918	78,335	79,785	81,260	82,770	84,310	85,980	87,605	89,245
Expenditures by Department										
Road Maintenance	-	299,400	305,800	312,300	318,900	325,800	332,700	339,700	346,900	354,300
Total	-	299,400	305,800	312,300	318,900	325,800	332,700	339,700	346,900	354,300
Net Revenue / (Deficit)	12,060	(222,482)	(227,465)	(232,515)	(237,640)	(243,030)	(248,390)	(253,720)	(259,295)	(265,055)
Ending Road Fund Balance	12,060	(210,422)	(437,887)	(670,402)	(908,042)	(1,151,072)	(1,399,462)	(1,653,182)	(1,912,477)	(2,177,532)

APPENDIX 5 – SCENARIO 4

Historic Revenue Growth Scenario (Scenario 2 Assumptions)

General Fund	Annual City General Fund Operating Budget									
	Transition 6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Beginning Fund Balance	\$ -	484,748	(1,165,135)	(2,870,019)	(4,458,921)	(5,988,264)	(7,597,386)	(9,113,171)	(10,692,096)	(12,336,261)
Revenues by Source										
Property Taxes	-	826,300	838,600	851,000	863,700	876,500	889,500	902,800	916,200	929,900
Sales Taxes (including In-Lieu)	235,600	476,200	481,200	486,300	491,400	496,600	501,800	507,100	512,400	517,800
Property Transfer Taxes	36,500	37,000	37,600	38,200	38,700	39,300	39,900	40,500	41,100	41,700
Transient Occupancy Taxes	3,524,700	3,636,900	3,752,700	3,872,200	3,995,500	4,122,700	4,253,900	4,389,300	4,529,000	4,673,200
Off Highway License Subvention	78	79	79	80	80	81	81	82	82	82
Park User Fees	-	15,600	15,700	15,800	15,900	16,000	16,100	16,200	16,200	16,300
Animal Control Licenses	-	290	290	300	310	320	330	340	340	350
Fines & Forfeitures	-	35,700	25,200	25,800	26,500	27,200	27,800	28,500	29,300	30,000
Franchise Fees	-	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600	20,600
Community Development Fees	-	259,200	264,700	270,300	275,900	281,700	287,700	293,800	300,100	306,400
Interest Earnings	9,100	-	-	-	-	-	-	-	-	-
Total General Fund Revenue	3,796,878	5,307,869	5,436,669	5,580,580	5,728,590	5,881,001	6,037,711	6,199,222	6,365,322	6,536,332
Expenditures by Department										
Town Council	23,420	23,630	23,840	24,050	24,260	24,470	24,680	24,890	25,200	25,510
Management	263,500	354,700	361,500	369,800	376,900	392,500	392,800	401,800	409,400	418,500
City Attorney	152,100	104,300	106,500	108,800	111,100	113,500	115,900	118,400	120,900	123,500
Finance	150,100	165,600	169,100	172,700	176,300	182,300	183,800	187,700	191,700	195,700
Community Development	38,000	596,400	603,730	461,260	368,800	383,540	384,580	392,720	401,060	409,500
Public Works - Other	15,310	147,310	150,410	153,610	156,820	164,820	163,520	166,930	170,430	173,930
Animal Control	-	16,200	16,600	17,000	17,500	18,000	18,400	18,900	19,500	20,000
Law Enforcement	149,000	1,493,600	1,567,100	1,644,200	1,725,500	1,811,000	1,900,600	1,995,000	2,094,300	2,198,700
Parks & Recreation	-	31,400	32,070	32,750	33,450	34,160	34,890	35,630	36,390	37,170
CalFire	152,200	155,400	158,700	162,100	165,600	169,100	172,700	176,400	180,100	184,000
Non-Departmental	144,680	137,990	141,300	144,810	148,320	152,030	155,840	159,750	163,660	167,770
Infrastructure Projects	2,114,820	2,182,140	2,251,620	2,323,320	2,397,300	2,473,620	2,552,340	2,633,580	2,717,400	2,803,920
Contingency (10% of Dept. Expenditures)	109,000	323,000	333,000	329,000	330,000	345,000	355,000	368,000	381,000	395,000
Transition Year Loan	-	127,636	127,636	127,636	127,636	127,636	-	-	-	-
Total General Fund Expenditures	3,312,130	5,859,306	6,043,106	6,071,036	6,159,486	6,391,676	6,455,050	6,679,700	6,911,040	7,153,200
Net Revenue / (Deficit) BEFORE Rev Neutrality	484,748	(551,437)	(606,437)	(490,456)	(430,896)	(510,675)	(417,339)	(480,478)	(545,718)	(616,868)
Potential Revenue Neutrality Payment	-	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447	1,098,447
Total General Fund Expenditures	3,312,130	6,957,753	7,141,553	7,169,483	7,257,933	7,490,123	7,553,497	7,778,147	8,009,487	8,251,647
Net Revenue / (Deficit) AFTER Rev Neutrality	484,748	(1,649,884)	(1,704,883)	(1,588,903)	(1,529,342)	(1,609,122)	(1,515,785)	(1,578,925)	(1,644,165)	(1,715,314)
Fund Balance	484,748	(1,165,135)	(2,870,019)	(4,458,921)	(5,988,264)	(7,597,386)	(9,113,171)	(10,692,096)	(12,336,261)	(14,051,575)
Recommended Reserve Fund Deposits	1,592,361	-	38,640	43,173	44,403	45,723	47,013	48,453	49,830	51,303
Recommended Reserve Fund Balance	1,592,361	1,592,361	1,631,001	1,674,174	1,718,577	1,764,300	1,811,313	1,859,766	1,909,597	1,960,900
Financial Position with a Funded Reserve	(1,107,612)	(2,757,496)	(4,501,019)	(6,133,095)	(7,706,841)	(9,361,686)	(10,924,484)	(12,551,863)	(14,245,857)	(16,012,474)
Reserve as % of Rev / % of Exp	42% / 48%	30% / 23%	30% / 23%	30% / 23%	30% / 24%	30% / 24%	30% / 24%	30% / 24%	30% / 24%	30% / 24%

APPENDIX 5 (CONTINUED)

Road Fund	Annual City Road Fund Operating Budget									
	Transition 6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Beginning Fund Balance	\$ -	12,060	(222,482)	(227,465)	(232,515)	(237,640)	(243,030)	(248,390)	(253,720)	(259,295)
Revenues by Source										
Gas Tax (Sec. 2105)	3,800	3,800	3,900	3,900	3,900	3,900	3,900	4,000	4,000	4,000
Gas Tax (Sec. 2106)	2,040	2,050	2,070	2,080	2,090	2,100	2,110	2,120	2,140	2,150
Gas Tax (Sec. 2107)	5,220	5,240	5,270	5,300	5,330	5,360	5,390	5,420	5,460	5,490
Gas Tax (Sec. 2107.5)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Gas Tax (Sec. 2107 - Snow Removal)	-	64,715	66,095	67,505	68,940	70,410	71,910	73,440	75,005	76,605
Interest Earnings	-	113	-	-	-	-	-	-	-	-
Total	12,060	76,918	78,335	79,785	81,260	82,770	84,310	85,980	87,605	89,245
Expenditures by Department										
Road Maintenance	-	299,400	305,800	312,300	318,900	325,800	332,700	339,700	346,900	354,300
Total	-	299,400	305,800	312,300	318,900	325,800	332,700	339,700	346,900	354,300
Net Revenue / (Deficit)	12,060	(222,482)	(227,465)	(232,515)	(237,640)	(243,030)	(248,390)	(253,720)	(259,295)	(265,055)
Ending Road Fund Balance	12,060	(210,422)	(449,947)	(459,980)	(470,155)	(480,670)	(491,420)	(502,110)	(513,015)	(524,350)

APPENDIX 6 – REVENUES AND EXPENDITURES BY DEPARTMENT (SCENARIO 1 ONLY)

TOWN COUNCIL

Item Detail and Assumptions		12 Month Period Beginning										
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	
Department Expenditures												
Salaries & Benefits												
Town Council Stipends	12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500
Supplies & Services												
Travel & Memberships		10,400	10,600	10,800	11,000	11,200	11,400	11,600	11,800	12,100	12,400	
14-15 Cost	10,000											
Growth Rate	2.1%											
Meeting Materials		520	530	540	550	560	570	580	590	600	610	
14-15 Cost	500											
Growth Rate	2.1%											
Capital Outlay												
TOTAL		\$ 23,420	\$ 23,630	\$ 23,840	\$ 24,050	\$ 24,260	\$ 24,470	\$ 24,680	\$ 24,890	\$ 25,200	\$ 25,510	

MANAGEMENT

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Town Manager		\$ 91,500	\$ 186,800	\$ 190,700	\$ 194,700	\$ 198,800	\$ 203,000	\$ 207,300	\$ 211,700	\$ 216,100	\$ 220,600
14-15 Cost	130,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Town Clerk/Admin Support		17,600	71,800	73,300	74,800	76,400	78,000	79,600	81,300	83,000	84,700
14-15 Cost	50,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Admin Assistant/Secretary		12,300	50,300	51,400	52,500	53,600	54,700	55,800	57,000	58,200	59,400
14-15 Cost	35,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Supplies & Services											
Interim Town Manager		84,000									
Travel & Memberships		20,900	21,300	21,800	22,300	22,800	23,300	23,800	24,300	24,800	25,300
14-15 Cost	20,000										
Growth Rate	2.1%										
Codification Services		10,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Elections		-	700	-	700	-	800	-	800	-	800
Cost Per Reg. Voter (2015)	1.25										
Growth Rate	2.1%										
Notices & Office Expenses		20,900	21,300	21,800	22,300	22,800	23,300	23,800	24,300	24,800	25,300
14-15 Cost	20,000										
Growth Rate	2.1%										
Capital Outlay											
Computer Hardware & Software		6,300	-	-	-	-	7,000	-	-	-	-
14-15 Cost	6,000										
Growth Rate	2.1%										
Replace. Cycle (Yrs)	5										
TOTAL		\$ 263,500	\$ 354,700	\$ 361,500	\$ 369,800	\$ 376,900	\$ 392,600	\$ 392,800	\$ 401,900	\$ 409,400	\$ 418,600

Notes

Registered Voters	569	577	586	595	603	612	622	631	640	650
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CITY ATTORNEY

Item Detail and Assumptions		12 Month Period Beginning										
		Transition	7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures												
Salaries & Benefits												
Supplies & Services												
Contract City Attorney Services	100,000	\$ 102,100	\$ 104,300	\$ 106,500	\$ 108,800	\$ 111,100	\$ 113,500	\$ 115,900	\$ 118,400	\$ 120,900	\$ 123,500	
14-15 Cost												
Growth Rate	2.1%											
Supplemental Startup Legal Costs		50,000	-	-	-	-	-	-	-	-	-	
Capital Outlay												
TOTAL		\$ 152,100	\$ 104,300	\$ 106,500	\$ 108,800	\$ 111,100	\$ 113,500	\$ 115,900	\$ 118,400	\$ 120,900	\$ 123,500	

FINANCE

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Finance Director		\$ 31,700	\$ 129,300	\$ 132,000	\$ 134,800	\$ 137,600	\$ 140,500	\$ 143,500	\$ 146,500	\$ 149,600	\$ 152,700
14-15 Cost	90,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Supplies & Services											
Interim Finance Manager		75,000	-	-	-	-	-	-	-	-	-
Contract Services: Payroll & Auditing		31,300	32,000	32,700	33,400	34,100	34,800	35,500	36,300	37,100	37,900
14-15 Cost	30,000										
Growth Rate	2.1%										
Travel & Memberships		-	4,300	4,400	4,500	4,600	4,700	4,800	4,900	5,000	5,100
14-15 Cost	4,000										
Growth Rate	2.1%										
Capital Outlay											
Computer Hardware		2,100	-	-	-	-	2,300	-	-	-	-
14-15 Cost	2,000										
Growth Rate	2.1%										
Replace. Cycle (Yrs)	5										
Financial Software		10,000	-	-	-	-	-	-	-	-	-
TOTAL		\$ 150,100	\$ 165,600	\$ 169,100	\$ 172,700	\$ 176,300	\$ 182,300	\$ 183,800	\$ 187,700	\$ 191,700	\$ 195,700

PUBLIC WORKS – ROAD MAINTENANCE

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
Contract Road Maintenance - Personnel		\$ -	\$ 77,800	\$ 79,500	\$ 81,200	\$ 82,900	\$ 84,700	\$ 86,500	\$ 88,300	\$ 90,200	\$ 92,100
14-15 Cost	73,000										
Growth Rate	2.1%										
Contract Road Maintenance - Supplies and Overhead		-	92,100	94,100	96,100	98,100	100,200	102,300	104,500	106,700	109,000
14-15 Cost	86,500										
Growth Rate	2.1%										
Contract Snow Plowing - Personnel		-	90,600	92,500	94,500	96,500	98,600	100,700	102,800	105,000	107,200
14-15 Cost	85,000										
Growth Rate	2.1%										
Contract Snow Plowing - Fleet Maintenance		-	38,900	39,700	40,500	41,400	42,300	43,200	44,100	45,000	46,000
14-15 Cost	36,500										
Growth Rate	2.1%										
TOTAL		\$ -	\$ 299,400	\$ 305,800	\$ 312,300	\$ 318,900	\$ 325,800	\$ 332,700	\$ 339,700	\$ 346,900	\$ 354,300

PUBLIC WORKS - OTHER

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Public Works Director		\$ 10,600	\$ 129,300	\$ 132,000	\$ 134,800	\$ 137,600	\$ 140,500	\$ 143,500	\$ 146,500	\$ 149,600	\$ 152,700
14-15 Cost	90,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Supplies & Services											
County Contract NPDES Program Implementation		-	13,800	14,100	14,400	14,700	15,000	15,300	15,600	15,900	16,200
14-15 Cost	13,000										
Growth Rate	2.1%										
Contract for AB 939 Requirements		510	510	510	530	550	560	580	580	590	590
Cost Per Resident	0.53										
Population	See Below										
Shared Traffic Signal Operating Costs		-	3,700	3,800	3,900	4,000	4,100	4,200	4,300	4,400	4,500
13-14 Actual Cost	3,464										
Growth Rate	2.1%										
Capital Outlay											
Computer Hardware & Software		4,200	-	-	-	-	4,700	-	-	-	-
14-15 Cost	4,000										
Growth Rate	2.1%										
Replace. Cycle (Yrs)	5										
TOTAL		\$ 15,310	\$ 147,310	\$ 150,410	\$ 153,630	\$ 156,850	\$ 164,860	\$ 163,580	\$ 166,980	\$ 170,490	\$ 173,990
Notes											
Projected Population	943	954	962	968	1,002	1,033	1,064	1,094	1,100	1,106	1,112

COMMUNITY DEVELOPMENT

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Community Development Director		\$ 31,700	\$ 129,300	\$ 132,000	\$ 134,800	\$ 137,600	\$ 140,500	\$ 143,500	\$ 146,500	\$ 149,600	\$ 152,700
14-15 Cost	90,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Associate Planner		-	86,210	88,020	89,870	91,760	93,690	95,660	97,670	99,720	101,810
14-15 Cost	60,000										
Benefit/Salary Ratio	35%										
Growth Rate	2.1%										
Supplies & Services											
Contract Building/Code Enforcement		-	32,000	32,700	33,400	34,100	34,800	35,500	36,300	37,100	37,900
14-15 Cost	30,000										
Growth Rate	2.1%										
Contract Engineering/Surveying		-	45,800	46,800	47,800	48,800	49,800	50,900	52,000	53,100	54,200
14-15 Cost	43,000										
Growth Rate	2.1%										
Contract Planning		-	42,600	43,500	44,400	45,300	46,300	47,300	48,300	49,300	50,400
14-15 Cost	40,000										
Growth Rate	2.1%										
Contract Technical/GIS Support		-	5,300	5,400	5,500	5,600	5,700	5,800	5,900	6,000	6,100
14-15 Cost	5,000										
Growth Rate	2.1%										
Cost Allocation for O/H and Admin		-	89,800	91,700	93,700	95,700	97,700	99,800	101,900	104,100	106,300
14-15 Cost	84,287										
Growth Rate	2.1%										
General Plan/EIR Preparation			250,000	250,000							
Zoning Code Preparation					100,000						
Travel & Membership		-	1,600	1,630	1,660	1,700	1,740	1,780	1,820	1,860	1,900
14-15 Cost	1,500.00										
Growth Rate	2.1%										
Capital Outlay											
Computer Hardware & Software		6,300	-	-	-	-	7,000	-	-	-	-
14-15 Cost	6,000										
Growth Rate	2.1%										
Replace. Cycle (Yrs)	5										
TOTAL		\$ 38,000	\$ 682,610	\$ 691,750	\$ 551,130	\$ 460,560	\$ 477,230	\$ 480,240	\$ 490,390	\$ 500,780	\$ 511,310

Note: Costs for General Plan, EIR, and Zoning Code preparation are based upon estimates from LAFCO's consultant.

PARKS AND RECREATION

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
TCPUD Contract		\$ -	\$ 31,400	\$ 32,070	\$ 32,750	\$ 33,450	\$ 34,160	\$ 34,890	\$ 35,630	\$ 36,390	\$ 37,170
14-15 Cost	29,476										
Growth Rate	2.1%										
Capital Outlay											
Capital Reserve Fund	2,947.60	-	3,100	3,200	3,300	3,300	3,400	3,500	3,600	3,600	3,700
Rate	10%										
TOTAL		\$ -	\$ 31,400	\$ 32,070	\$ 32,750	\$ 33,450	\$ 34,160	\$ 34,890	\$ 35,630	\$ 36,390	\$ 37,170

ANIMAL CONTROL

Item Detail and Assumptions		12 Month Period Beginning										
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	
Department Expenditures												
Salaries & Benefits												
Supplies & Services												
County Animal Control Contract		\$ -	\$ 11,700	\$ 12,000	\$ 12,700	\$ 13,400	\$ 14,100	\$ 14,800	\$ 15,200	\$ 15,600	\$ 16,000	
14-15 Cost Estimate	10,758											
Base Cost Growth Rate	2.1%											
Per Capita Adjustment	see below											
Supplies		-	2,800	2,900	3,100	3,200	3,400	3,600	3,700	3,800	3,900	
14-15 Base Cost	2,613											
Base Cost Growth Rate	2.1%											
Per Capita Adjustment	see below											
Cost Allocation for O/H and Admin		-	1,700	1,700	1,800	1,900	2,000	2,100	2,200	2,200	2,300	
14-15 Base Cost	1,531											
Base Cost Growth Rate	2.1%											
Per Capita Adjustment	see below											
Capital Outlay												
TOTAL		\$ -	\$ 16,200	\$ 16,600	\$ 17,600	\$ 18,500	\$ 19,500	\$ 20,500	\$ 21,100	\$ 21,600	\$ 22,200	
Notes												
Projected Population	943	954	962	968	1,002	1,033	1,064	1,094	1,100	1,106	1,112	

LAW ENFORCEMENT

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
Contract with County Sheriff (Patrol)		\$ -	\$ 1,238,400	\$ 1,511,800	\$ 1,604,900	\$ 1,647,500	\$ 1,689,500	\$ 1,733,000	\$ 1,771,300	\$ 2,139,200	\$ 2,186,300
14-15 Cost	1,158,449										
Growth Rate	2.1%										
Per Capita Adjustment	see below										
Contract with County Sheriff (Traffic)		95,100	97,300	118,800	126,100	129,400	132,700	136,100	139,100	168,000	171,700
14-15 Cost	91,000										
Growth Rate	2.1%										
Per Capita Adjustment	see below										
Direct & Indirect Support		46,500	47,600	58,000	61,200	61,900	63,400	65,100	66,500	80,300	81,500
14-15 Cost	177,948										
Growth Rate	2.1%										
Per Capita Adjustment	see below										
Capital Outlay											
TOTAL		\$ 141,600	\$ 1,383,300	\$ 1,688,600	\$ 1,792,200	\$ 1,838,800	\$ 1,885,600	\$ 1,934,200	\$ 1,976,900	\$ 2,387,500	\$ 2,439,500
Notes											
Projected Population	943	954	962	968	1,002	1,033	1,064	1,094	1,100	1,106	1,112
Projected Employee Population	579	579	586	716	976	1,002	1,002	1,015	1,015	1,144	1,144
Projected Overnight Tourist Population	3,046	3,046	3,046	3,749	3,852	3,852	3,852	3,852	3,852	4,684	4,684
Projected "Daytrip" Tourist Population	5,920	5,920	5,920	7,285	7,485	7,485	7,485	7,485	7,485	9,103	9,103

Note: For the purposes of the per capita adjustment, daytrippers are considered to be one-third of a person, as they are likely to be in Olympic Valley for substantially less time throughout any given day than a resident or overnight tourist would be.

FIRE PROTECTION

Item Detail and Assumptions	12 Month Period Beginning									
	Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures										
Salaries & Benefits										
Supplies & Services										
Contract with CalFire	\$ 152,200	\$155,400	\$158,700	\$162,100	\$165,600	\$169,100	\$172,700	\$176,400	\$180,100	\$184,000
Acreage subject to Contract	5,662									
Cost per acre	\$23.01									
Admin Costs	11.97%									
Growth Rate	2.1%									
Capital Outlay										
TOTAL	\$ 152,200	\$155,400	\$158,700	\$162,100	\$165,600	\$169,100	\$172,700	\$176,400	\$180,100	\$184,000

NON-DEPARTMENTAL

Item Detail and Assumptions		12 Month Period Beginning									
		Transition 7/1/2016	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Department Expenditures											
Salaries & Benefits											
Supplies & Services											
LAFCo Fees		\$ 580	\$ 590	\$ 600	\$ 610	\$ 620	\$ 630	\$ 640	\$ 650	\$ 660	\$ 670
14-15 Cost	569										
Growth Rate	2.1%										
Insurance		66,400	67,800	69,200	70,700	72,200	73,700	75,300	76,900	78,500	80,200
14-15 Cost	65,000										
Growth Rate	2.1%										
IT Support Contract		15,300	15,600	15,900	16,200	16,500	16,900	17,300	17,700	18,100	18,500
14-15 Cost	15,000										
Growth Rate	2.1%										
City Hall Rent, Utilities, Maintenance		57,100	58,800	60,600	62,400	64,300	66,200	68,200	70,200	72,300	74,500
Total Leased Area (sf)	2,500										
Lease Rate	1.37										
Expense Ratio	35%										
14-15 Cost	55,485										
Growth Rate	3.0%										
Capital Outlay											
Office Furnishings		10,000									
TOTAL		\$ 149,380	\$ 142,790	\$ 146,300	\$ 149,910	\$ 153,620	\$ 157,430	\$ 161,440	\$ 165,450	\$ 169,560	\$ 173,870
Notes											
Projected Population		943	954	962	968	1,002	1,033	1,064	1,094	1,106	1,112

Supplemental Fiscal Sensitivity Report



BETTER COMMUNITIES. BOLDER FUTURES.

ROSENOW SPEVACEK GROUP INC.
309 WEST 4TH STREET
SANTA ANA, CALIFORNIA
92701-4502

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E INFO@WEBRSG.COM
WEBRSG.COM

Via Electronic Mail

October 8, 2015

To: Ms. Kathleen Rollings-McDonald
SAN BERNARDINO COUNTY LOCAL AGENCY FORMATION COMMISSION

From: Alexa Smittle, Principal
Mike Dietz, Analyst
ROSENOW SPEVACEK GROUP, INC

RE: RIM OF THE WORLD IFA SENSITIVITY ANALYSIS

RSG was recently engaged by the San Bernardino County Local Agency Formation Commission ("LAFCo") to conduct an Initial Feasibility Analysis ("IFA") for the incorporation of a group of communities collectively termed the "Rim of the World". An IFA is a preliminary investigation that provides general feedback on the viability of a proposed city incorporation. In an IFA, limited data and a number of assumptions are used to forecast estimated revenues and expenses that would be incurred by the proposed city. RSG, working in conjunction with LAFCo, developed a five-year financial forecast that reflected likely income streams and service delivery costs utilizing estimated data from the County of San Bernardino ("County"), a service and staffing model similar to the City of Big Bear Lake, and applicable sections of the Cortese-Knox-Hertzberg Act.

The Rim of the World includes the existing communities of Arrowbear Park, Blue Jay, Cedar Glen, Cedar Pines Park, Crestline, Green Valley Lake, Lake Arrowhead, Rimforest, Running Springs, Sky Forest, and Twin Peaks. A second IFA incorporation scenario was also developed, which excluded the communities of Arrowbear Park, Green Valley Lake, and Running Springs, collectively known as the "Hilltop".

Service delivery in the Rim of the World is somewhat unique due to the large number of special districts and County Service Areas ("CSAs") that currently provide for roads, parks, water, and wastewater service. In the IFA, special districts and service areas were assumed to either be dissolved or detached, with the proposed city taking over all services, except the existing hospital district. Revenues and expenditures related to special districts were maintained as separate funds in the IFA for clarity. Though the revenues and costs associated with the special districts and CSAs would transfer to the new city, many would remain encapsulated becoming enterprise funds, namely the

FISCAL HEALTH
ECONOMIC DEVELOPMENT
REAL ESTATE, HOUSING
AND HEALTHY COMMUNITIES

water and sanitation districts. Additionally, any fees or assessments levied for specific purposes must be used accordingly.

Basic revenue and expenditure data was estimated by County staff and utilized as a baseline in the forecast. Future costs were based largely upon the City of Big Bear Lake, which is also a somewhat isolated mountain area and was therefore assumed to be a relevant model for municipal staffing and service delivery. All estimates are believed to be sound and defensible, but were not researched to the level of detail as would be expected from a Comprehensive Feasibility Analysis conducted later in an incorporation process. Ultimately, the IFA forecast indicated that incorporation at this time would be infeasible based upon the assumptions used. The annual net General Fund revenues (deficits) from the IFA are summarized in Table 1.

Table 1: IFA General Fund Net Revenue (Deficit)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Rim of the World	(5,615,000)	(6,089,500)	(6,407,600)	(7,008,200)	(7,243,700)
Excluding Hilltop	(5,050,300)	(5,434,800)	(5,706,300)	(6,207,600)	(6,387,300)

The remainder of this memorandum explores a few variations on the previous assumptions that could improve the feasibility if they came to fruition. To be clear, this memorandum does not evaluate whether or not these changes are probable or possible; it only evaluates the results if they were to happen.

Three hypothetical “Scenarios” were developed to measure the changes that may make incorporation more feasible as described below. Note that the Scenarios are cumulative in nature, i.e. Scenario 2 includes the changes proposed in Scenario 1.

Scenarios:

1. Increased transient occupancy collections, higher fees for service, reduced staffing levels, and cost savings from special district consolidation.
2. All changes in Scenario 1, plus a larger share of the general property tax levy.
3. All changes in Scenarios 1 and 2, plus larger annual increases in assessed values and sale tax revenues.

Scenario 1 – Modifications to Transient Occupancy Taxes, Fees for Service, Slightly Reduces Staffing Levels, and Savings from the Consolidation of Special Districts/Service Areas

This scenario was developed using the following four modified assumptions. These changes may be, to some degree, achieved by the new City Council, albeit with some difficulty. The annual general fund net revenue (deficit) is shown in Table 1, with the

complete funds summaries as Exhibits A (entire area) and D (no Hilltop) at the end of this memorandum.

1. **Transient Occupancy Tax.** It has been suggested that transient occupancy tax ("TOT"), which is generated by hotels and other temporary lodging for stays less than 30 days, is underreported. Some sources claim that up to 50 percent of these revenues are not reported or paid. RSG has made no investigation into these claims, but to illustrate the fiscal impact, the first scenario assumes twice the current TOT revenues will be collected. Note that if TOT is indeed being underreported currently, the new city would need to enforce revenue collections to see such a drastic increase. This may result in increased staff costs, which are not reflected in the model.
2. **Fees for Service.** Fees for service are collected for community development and animal control, and used to offset a portion of costs for service. This scenario assumes that the new city would increase fees such that all costs for service are offset.
3. **Staffing Reductions.** The IFA relied heavily on the service delivery model of the City of Big Bear Lake to determine staffing expenditures due to its similar location and weather. Each city is its own unique environment however, and staffing models can vary. RSG researched other incorporated California cities that were (a) of similar population, and (b) at least outside large metropolitan areas, if not quite as remote as the Rim of the World. Note that in evaluating "similar" city staffing levels, RSG did not consider snowfall as the additional factor essentially eliminated comparable places. Even without the snowfall factor, most cities reviewed had staffing levels above what was considered in the IFA. Nevertheless, based on data available in online city budgets, it may be possible to reduce staffing levels slightly, or contract for some services, which may decrease costs. The projection shown here is the result of eliminating 5 positions, based on RSG's high-level research of similar cities. These estimated reductions were, in no way, determined by RSG to be appropriate reductions; they simply mirror what was found in a few other places.
4. **Cost Savings Through Consolidation.** The IFA assumes that dissolution and consolidation of the special districts and CSAs under a single administration will result in some cost savings, currently estimated at 15 percent of administrative costs. This scenario increases cost savings, assuming a net savings of 25 percent in administrative expenses. This change would essentially eliminate most of the highest levels of management, and require consolidation of billing and collections, which will be a challenging task.

Table 1: Scenario 1 General Fund Net Revenue (Deficit)

	2017-18	2018-19	2019-20	2020-21	2021-22
Rim of the World	(3,840,600)	(4,271,100)	(4,543,600)	(5,097,800)	(5,383,900)
Excluding Hilltop	(3,299,600)	(3,641,400)	(3,867,800)	(4,323,200)	(4,554,100)

Scenario 2 – Additional Modifications Assuming Larger Property Tax Share

The amount of general levy property tax revenue transferred to the new City from the County is calculated pursuant to a formula codified in the Cortese-Knox-Hertzberg Act. The calculation considers the net cost of services provided by the County, and the proportional share of property tax that supports those services. Based on the data available, the IFA calculates the property tax share to transfer from the County at 2.57%. Ultimately, the transferred share is negotiable, and other cities have successfully lobbied and/or litigated for increased shares over the last 30 years. Note that the general levy shares among cities in San Bernardino County vary drastically, from about 1.5% up to 25%. The annual general fund net revenue (deficit) is shown in Table 2, with the complete funds summaries as Exhibits B (entire area) and E (no Hilltop) at the end of this memorandum.

- **Property Tax Share Transfer.** Scenario 2 was developed to determine what share of the general levy would be required to make the five year projection a net positive amount with a small cushion for illustrative purposes. RSG determined that a 14.5% (15% in the No Hilltop analysis) share would solve for annual deficits in the first five years and allow for a little “breathing room”.

Table 2: Scenario 2 General Fund Net Revenue (Deficit)

	2017-18	2018-19	2019-20	2020-21	2021-22
Rim of the World	3,446,700	3,164,000	3,041,800	2,639,400	2,507,300
Excluding Hilltop	3,325,500	3,118,300	3,027,100	2,710,700	2,620,100

Scenario 3 – Additional Modifications Assuming Larger Annual Increases in Assessed Values and Sales Tax

While the jump in property tax share results in net positive revenue for the forecast period, the City still sees annual net revenues decline each year as the cost of service grows more rapidly than revenues. Assessed value is projected to increase 2% per year, in accordance with Proposition 13. Sales tax revenues are increased commensurate with the consumer price index at 2.1%. However, personnel costs are inflating at 3%, based on the City of Big Bear Lake’s contract with staff’s labor union. The imbalance of revenue and cost growth is a common problem in California cities, and one that is frequently mitigated through new investments that increase assessed value, the

introduction of new tax producers such as retail users, or the introduction of new taxes. The annual general fund net revenue (deficit) is shown in Table 3, with the complete funds summaries as Exhibits C (entire area) and F (no Hilltop) at the end of this memorandum.

- **Faster Increases in Assessed Values and Sales Tax.** For illustrative purposes, Scenario 3 was created to inflate secured assessed values at 2.5% to account for some property turnover and resulting re-assessments that grow the property tax base. Additionally, sales tax revenues were inflated at a slightly faster rate of 2.5%. Both of these changes could still be considered reasonably conservative.

Table 3: Scenario 3 General Fund Net Revenue (Deficit)

	2017-18	2018-19	2019-20	2020-21	2021-22
Rim of the World	3,614,200	3,385,800	3,318,900	2,976,200	2,906,300
Excluding Hilltop	3,460,000	3,299,700	3,259,600	2,994,700	2,958,600

SUMMARY

Based on the preliminary work performed in the IFA, the Rim of the World could face severe financial challenges. This sensitivity analysis identifies a few options for mitigating the projected net-negative general fund balance. While these changes, or others, could improve the fiscal outlook, it will take a substantial increase in the general levy property tax share would be critical to incorporation.

Exhibit A: Scenario 1 - Changes TOT, Fees, Reduced Staffing Levels, and 25% Cost Savings from Consolidation

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (3,840,600)	\$ (8,111,700)	\$ (12,655,300)	\$ (17,753,100)
Revenues by Source						
Property Taxes	1,475,100	1,568,200	1,597,900	1,628,500	1,660,200	1,691,900
Sales Taxes	1,346,600	1,434,500	1,465,000	1,496,200	1,528,100	1,560,700
Property Transfer Taxes	121,500	135,300	139,800	143,200	147,800	151,300
Transient Occupancy Taxes	1,649,400	1,757,200	1,794,600	1,832,800	1,871,900	1,911,800
Off Highway License Subvention	1,700	1,800	1,800	1,800	1,900	1,900
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	63,300	66,600	67,300	67,900	68,600	69,300
Franchise Fees	750,000	772,700	780,500	788,300	796,100	804,100
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	-	-	-	-
Total	\$ 6,586,300	\$ 7,321,200	\$ 7,481,300	\$ 7,645,000	\$ 7,814,800	\$ 7,887,500
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	604,800	569,700	665,800	604,400	704,800	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	202,900	220,700	227,400	234,300	241,400	248,700
Finance	264,400	276,400	284,600	293,100	302,000	311,000
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	727,000	782,900	806,200	830,200	854,600	879,800
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	4,939,200	5,897,600	6,256,800	6,637,800	7,042,000	7,470,900
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	854,000	1,000,000	1,056,000	1,098,000	1,160,000	1,198,000
Reserve Fund (25% of Expenditures)	2,135,000	163,400	139,600	106,800	153,700	94,900
Total	\$ 11,528,000	\$ 11,161,800	\$ 11,752,400	\$ 12,188,600	\$ 12,912,600	\$ 13,271,400
Net Revenue / (Deficit)	(4,941,700)	(3,840,600)	(4,271,100)	(4,543,600)	(5,097,800)	(5,383,900)
Ending Fund Balance	\$ (4,941,700)	\$ (3,840,600)	\$ (8,111,700)	\$ (12,655,300)	\$ (17,753,100)	\$ (23,137,000)

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)
Revenues by Source						
Gas Tax (Sec. 2105)	1,700	1,800	1,800	1,800	1,900	1,900
Gas Tax (Sec. 2106)	165,200	170,200	171,900	173,700	175,400	177,200
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	6,000	6,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 298,300	\$ 303,400	\$ 305,100	\$ 306,900	\$ 308,700	\$ 310,500
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,539,000)	(1,662,600)	(1,705,900)	(1,750,000)	(1,795,200)	(1,841,500)
Ending Fund Balance	\$ (1,539,000)	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)	\$ (8,755,200)

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CSA/SPECIAL DISTRICT ANALYSIS

	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	8,031,000				
Road Districts	-	1,920,200				
Water and Sewer Districts	-	16,546,300				
Total	\$ -	\$ 26,497,500				
Beginning Fund Balance	\$ -	\$ 26,497,500	\$ 30,034,800	\$ 33,757,500	\$ 37,573,900	\$ 41,473,000
Dissolved District Revenues						
Property Taxes from Dissolved Districts	18,051,900	19,182,400	19,551,700	19,928,400	20,312,600	20,704,600
Fees for Services and Special Assessments						
General	8,546,300	9,104,400	9,298,400	9,496,500	9,698,900	9,905,600
Road Districts	1,044,800	1,112,900	1,136,600	1,160,800	1,185,500	1,210,800
Water and Sewer Districts	40,302,800	42,934,700	43,849,600	44,784,000	45,738,300	46,713,000
Interest Earnings	-	82,800	93,900	105,500	117,500	129,600
Total	\$ 67,945,800	\$ 72,417,200	\$ 73,930,200	\$ 75,475,200	\$ 77,052,800	\$ 78,663,600
Dissolved Districts Expenditures						
Fire Protection	19,188,800	20,441,800	20,877,400	21,322,300	21,776,700	22,240,800
Operating Expenditures						
General	8,093,400	8,621,900	8,805,600	8,993,200	9,184,800	9,380,500
Road Districts	1,012,400	1,078,500	1,101,500	1,125,000	1,149,000	1,173,500
Water and Sewer	34,363,400	36,607,400	37,387,500	38,184,200	38,997,900	39,828,900
Debt Service	3,323,900	2,130,300	2,035,500	2,034,100	2,045,300	1,952,900
Total	\$ 65,981,900	\$ 68,879,900	\$ 70,207,500	\$ 71,658,800	\$ 73,153,700	\$ 74,576,600
Net Revenue / (Deficit)	1,963,900	3,537,300	3,722,700	3,816,400	3,899,100	4,087,000
Ending Fund Balance	\$ 1,963,900	\$ 30,034,800	\$ 33,757,500	\$ 37,573,900	\$ 41,473,000	\$ 45,560,000

Exhibit B: Scenario 2 – Additional Change of 14.5% Property Tax Transfer Share
GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ 3,446,700	\$ 6,610,700	\$ 9,652,500	\$ 12,291,900
Revenues by Source						
Property Taxes	8,333,800	8,855,500	9,025,800	9,200,100	9,377,300	9,557,500
Sales Taxes	1,346,600	1,434,500	1,465,000	1,496,200	1,528,100	1,560,700
Property Transfer Taxes	121,500	135,300	139,800	143,200	147,800	151,300
Transient Occupancy Taxes	1,649,400	1,757,200	1,794,600	1,832,800	1,871,900	1,911,800
Off Highway License Subvention	1,700	1,800	1,800	1,800	1,900	1,900
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	63,300	66,600	67,300	67,900	68,600	69,300
Franchise Fees	750,000	772,700	780,500	788,300	796,100	804,100
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	7,200	13,800	20,100	25,600
Total	\$ 13,445,000	\$ 14,608,500	\$ 14,916,400	\$ 15,230,400	\$ 15,552,000	\$ 15,778,700
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	604,800	569,700	665,800	604,400	704,800	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	202,900	220,700	227,400	234,300	241,400	248,700
Finance	264,400	276,400	284,600	293,100	302,000	311,000
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	727,000	782,900	806,200	830,200	854,600	879,800
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	4,939,200	5,897,600	6,256,800	6,637,800	7,042,000	7,470,900
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	854,000	1,000,000	1,056,000	1,098,000	1,160,000	1,198,000
Reserve Fund (25% of Expenditures)	2,135,000	163,400	139,600	106,800	153,700	94,900
Total	\$ 11,528,000	\$ 11,161,800	\$ 11,752,400	\$ 12,188,600	\$ 12,912,600	\$ 13,271,400
Net Revenue / (Deficit)	1,917,000	3,446,700	3,164,000	3,041,800	2,639,400	2,507,300
Ending Fund Balance	\$ 1,917,000	\$ 3,446,700	\$ 6,610,700	\$ 9,652,500	\$ 12,291,900	\$ 14,799,200

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)
Revenues by Source						
Gas Tax (Sec. 2105)	1,700	1,800	1,800	1,800	1,900	1,900
Gas Tax (Sec. 2106)	165,200	170,200	171,900	173,700	175,400	177,200
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	6,000	6,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 298,300	\$ 303,400	\$ 305,100	\$ 306,900	\$ 308,700	\$ 310,500
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,539,000)	(1,662,600)	(1,705,900)	(1,750,000)	(1,795,200)	(1,841,500)
Ending Fund Balance	\$ (1,539,000)	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)	\$ (8,755,200)

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	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	8,031,000				
Road Districts	-	1,920,200				
Water and Sewer Districts	-	16,546,300				
Total	\$ -	\$ 26,497,500				
Beginning Fund Balance	\$ -	\$ 26,497,500	\$ 30,034,800	\$ 33,757,500	\$ 37,573,900	\$ 41,473,000
Dissolved District Revenues						
Property Taxes from Dissolved Districts	18,051,900	19,182,400	19,551,700	19,928,400	20,312,600	20,704,600
Fees for Services and Special Assessments						
General	8,546,300	9,104,400	9,298,400	9,496,500	9,698,900	9,905,600
Road Districts	1,044,800	1,112,900	1,136,600	1,160,800	1,185,500	1,210,800
Water and Sewer Districts	40,302,800	42,934,700	43,849,600	44,784,000	45,738,300	46,713,000
Interest Earnings	-	82,800	93,900	105,500	117,500	129,600
Total	\$ 67,945,800	\$ 72,417,200	\$ 73,930,200	\$ 75,475,200	\$ 77,052,800	\$ 78,663,600
Dissolved Districts Expenditures						
Fire Protection	19,188,800	20,441,800	20,877,400	21,322,300	21,776,700	22,240,800
Operating Expenditures						
General	8,093,400	8,621,900	8,805,600	8,993,200	9,184,800	9,380,500
Road Districts	1,012,400	1,078,500	1,101,500	1,125,000	1,149,000	1,173,500
Water and Sewer	34,363,400	36,607,400	37,387,500	38,184,200	38,997,900	39,828,900
Debt Service	3,323,900	2,130,300	2,035,500	2,034,100	2,045,300	1,952,900
Total	\$ 65,981,900	\$ 68,879,900	\$ 70,207,500	\$ 71,658,800	\$ 73,153,700	\$ 74,576,600
Net Revenue / (Deficit)	1,963,900	3,537,300	3,722,700	3,816,400	3,899,100	4,087,000
Ending Fund Balance	\$ 1,963,900	\$ 30,034,800	\$ 33,757,500	\$ 37,573,900	\$ 41,473,000	\$ 45,560,000

Exhibit C: Scenario 3 – Additional Increases to Secured AV Growth and Sales Tax Growth

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ 3,614,200	\$ 7,000,000	\$ 10,318,900	\$ 13,295,100
Revenues by Source						
Property Taxes	8,333,800	8,986,200	9,204,000	9,427,800	9,656,500	9,891,100
Sales Taxes	1,351,400	1,455,300	1,491,700	1,528,900	1,567,100	1,606,300
Property Transfer Taxes	121,500	135,300	139,800	143,200	147,800	151,300
Transient Occupancy Taxes	1,649,400	1,757,200	1,794,600	1,832,800	1,871,900	1,911,800
Off Highway License Subvention	1,700	1,800	1,800	1,800	1,900	1,900
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	63,300	66,600	67,300	67,900	68,600	69,300
Franchise Fees	750,000	772,700	780,500	788,300	796,100	804,100
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	98,600	107,700	111,000	114,300	117,700	121,300
Interest Earnings	-	-	7,500	14,600	21,500	27,700
Total	\$ 13,447,300	\$ 14,757,300	\$ 15,118,900	\$ 15,488,800	\$ 15,868,600	\$ 16,157,000
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	604,800	569,700	665,800	604,400	704,800	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	202,900	220,700	227,400	234,300	241,400	248,700
Finance	264,400	276,400	284,600	293,100	302,000	311,000
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	711,600	766,300	789,100	812,600	836,500	861,200
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	4,939,200	5,897,600	6,256,800	6,637,800	7,042,000	7,470,900
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	852,000	998,000	1,054,000	1,097,000	1,158,000	1,196,000
Reserve Fund (25% of Expenditures)	2,131,000	163,300	139,400	106,700	153,600	94,800
Total	\$ 11,506,600	\$ 11,143,100	\$ 11,733,100	\$ 12,169,900	\$ 12,892,400	\$ 13,250,700
Net Revenue / (Deficit)	1,940,700	3,614,200	3,385,800	3,318,900	2,976,200	2,906,300
Ending Fund Balance	\$ 1,940,700	\$ 3,614,200	\$ 7,000,000	\$ 10,318,900	\$ 13,295,100	\$ 16,201,400

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)
Revenues by Source						
Gas Tax (Sec. 2105)	1,700	1,800	1,800	1,800	1,900	1,900
Gas Tax (Sec. 2106)	165,200	170,200	171,900	173,700	175,400	177,200
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	6,000	6,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 298,300	\$ 303,400	\$ 305,100	\$ 306,900	\$ 308,700	\$ 310,500
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,539,000)	(1,662,600)	(1,705,900)	(1,750,000)	(1,795,200)	(1,841,500)
Ending Fund Balance	\$ (1,539,000)	\$ (1,662,600)	\$ (3,368,500)	\$ (5,118,500)	\$ (6,913,700)	\$ (8,755,200)

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	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	8,031,000				
Road Districts	-	1,920,200				
Water and Sewer Districts	-	16,546,300				
Total	\$ -	\$ 26,497,500				
Beginning Fund Balance	\$ -	\$ 26,497,500	\$ 30,318,100	\$ 34,428,000	\$ 38,740,300	\$ 43,248,900
Dissolved District Revenues						
Property Taxes from Dissolved Districts	18,051,900	19,465,700	19,938,000	20,422,200	20,918,500	21,427,300
Fees for Services and Special Assessments						
General	8,546,300	9,104,400	9,298,400	9,496,500	9,698,900	9,905,600
Road Districts	1,044,800	1,112,900	1,136,600	1,160,800	1,185,500	1,210,800
Water and Sewer Districts	40,302,800	42,934,700	43,849,600	44,784,000	45,738,300	46,713,000
Interest Earnings	-	82,800	94,800	107,600	121,100	135,200
Total	\$ 67,945,800	\$ 72,700,500	\$ 74,317,400	\$ 75,971,100	\$ 77,662,300	\$ 79,391,900
Dissolved Districts Expenditures						
Fire Protection	19,188,800	20,441,800	20,877,400	21,322,300	21,776,700	22,240,800
Operating Expenditures						
General	8,093,400	8,621,900	8,805,600	8,993,200	9,184,800	9,380,500
Road Districts	1,012,400	1,078,500	1,101,500	1,125,000	1,149,000	1,173,500
Water and Sewer	34,363,400	36,607,400	37,387,500	38,184,200	38,997,900	39,828,900
Debt Service	3,323,900	2,130,300	2,035,500	2,034,100	2,045,300	1,952,900
Total	\$ 65,981,900	\$ 68,879,900	\$ 70,207,500	\$ 71,658,800	\$ 73,153,700	\$ 74,576,600
Net Revenue / (Deficit)	1,963,900	3,820,600	4,109,900	4,312,300	4,508,600	4,815,300
Ending Fund Balance	\$ 1,963,900	\$ 30,318,100	\$ 34,428,000	\$ 38,740,300	\$ 43,248,900	\$ 48,064,200

Exhibit D: Scenario 1 No Hilltop - Changes TOT, Fees, Reduced Staffing Levels, and 25% Cost Savings from Consolidation

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (3,299,600)	\$ (6,941,000)	\$ (10,808,800)	\$ (15,132,000)
Revenues by Source						
Property Taxes	1,185,000	1,259,300	1,283,000	1,307,800	1,332,500	1,358,300
Sales Taxes	1,140,200	1,214,600	1,240,500	1,266,900	1,293,900	1,321,500
Property Transfer Taxes	116,200	128,500	131,700	135,000	138,300	141,800
Transient Occupancy Taxes	1,600,700	1,705,300	1,741,600	1,778,700	1,816,600	1,855,300
Off Highway License Subvention	1,400	1,400	1,500	1,500	1,500	1,500
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	50,800	53,500	54,000	54,600	55,100	55,700
Franchise Fees	602,300	620,600	626,800	633,000	639,400	645,700
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	-	-	-	-
Total	\$ 5,875,300	\$ 6,568,100	\$ 6,713,500	\$ 6,863,800	\$ 7,017,500	\$ 7,076,300
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	590,400	569,700	650,300	604,400	688,600	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	201,900	219,400	226,000	232,800	239,800	247,000
Finance	266,900	279,200	287,500	296,100	305,100	314,200
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	723,900	779,100	802,000	825,400	849,500	874,200
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	3,966,200	4,735,800	5,024,200	5,330,200	5,654,800	5,999,200
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	755,000	883,000	931,000	967,000	1,019,000	1,050,000
Reserve Fund (25% of Expenditures)	1,887,500	150,400	117,900	91,700	129,800	77,700
Total	\$ 10,192,500	\$ 9,867,700	\$ 10,354,900	\$ 10,731,600	\$ 11,340,700	\$ 11,630,400
Net Revenue / (Deficit)	(4,317,200)	(3,299,600)	(3,641,400)	(3,867,800)	(4,323,200)	(4,554,100)
Ending Fund Balance	\$ (4,317,200)	\$ (3,299,600)	\$ (6,941,000)	\$ (10,808,800)	\$ (15,132,000)	\$ (19,686,100)

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,697,500)	\$ (1,740,000)	\$ (1,784,500)	\$ (1,830,100)
Revenues by Source						
Gas Tax (Sec. 2105)	1,400	1,400	1,500	1,500	1,500	1,500
Gas Tax (Sec. 2106)	132,700	136,700	138,100	139,500	140,900	142,300
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	5,000	5,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 264,500	\$ 268,500	\$ 271,000	\$ 272,400	\$ 273,800	\$ 275,200
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,572,800)	(1,697,500)	(1,740,000)	(1,784,500)	(1,830,100)	(1,876,800)
Ending Fund Balance	\$ (1,572,800)	\$ (1,697,500)	\$ (3,437,500)	\$ (3,524,500)	\$ (3,614,600)	\$ (3,706,900)

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	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	7,348,500				
Road	-	1,177,700				
Water and Sewer	-	13,541,500				
Total	\$ -	\$ 22,067,700				
Beginning Fund Balance	\$ -	\$ 22,067,700	\$ 22,178,200	\$ 22,395,500	\$ 22,622,000	\$ 22,853,900
Dissolved District Revenues						
Property Taxes from Dissolved Districts	15,941,000	16,940,300	17,265,000	17,596,300	17,934,300	18,279,000
Fees for Services						
General	7,148,500	7,615,300	7,777,600	7,943,300	8,112,600	8,285,500
Road Districts	1,003,400	1,068,900	1,091,700	1,115,000	1,138,800	1,163,100
Water and Sewer Districts	15,052,600	16,035,600	16,377,300	16,726,300	17,082,700	17,446,700
Interest Earnings	-	69,000	69,300	70,000	70,700	71,400
Total	\$ 39,145,500	\$ 41,729,100	\$ 42,580,900	\$ 43,450,900	\$ 44,339,100	\$ 45,245,700
Dissolved Districts Expenditures						
Fire Protection	16,560,100	17,641,500	18,017,400	18,401,400	18,793,500	18,793,500
Other Operating Expenditures						
General	7,355,300	7,835,600	8,002,600	8,173,100	8,347,300	8,525,200
Road Districts	986,700	1,051,100	1,073,500	1,096,400	1,119,800	1,143,700
Water and Sewer Districts	12,377,100	13,185,400	13,466,400	13,753,400	14,046,500	14,345,800
Debt Service	2,762,200	1,905,000	1,803,700	1,800,100	1,800,100	1,800,100
Total	\$ 40,041,400	\$ 41,618,600	\$ 42,363,600	\$ 43,224,400	\$ 44,107,200	\$ 44,608,300
Net Revenue / (Deficit)	(895,900)	110,500	217,300	226,500	231,900	637,400
Ending Fund Balance	\$ (895,900)	\$ 22,178,200	\$ 22,395,500	\$ 22,622,000	\$ 22,853,900	\$ 23,491,300

Exhibit E: Scenario 2 No Hilltop – Additional Change of 15% Property Tax Transfer Share

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ 3,325,500	\$ 6,443,800	\$ 9,470,900	\$ 12,181,600
Revenues by Source						
Property Taxes	7,419,100	7,884,400	8,035,800	8,189,300	8,346,700	8,507,100
Sales Taxes	1,140,200	1,214,600	1,240,500	1,266,900	1,293,900	1,321,500
Property Transfer Taxes	116,200	128,500	131,700	135,000	138,300	141,800
Transient Occupancy Taxes	1,600,700	1,705,300	1,741,600	1,778,700	1,816,600	1,855,300
Off Highway License Subvention	1,400	1,400	1,500	1,500	1,500	1,500
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	50,800	53,500	54,000	54,600	55,100	55,700
Franchise Fees	602,300	620,600	626,800	633,000	639,400	645,700
Community Development Fees	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	6,900	13,400	19,700	25,400
Total	\$ 12,109,400	\$ 13,193,200	\$ 13,473,200	\$ 13,758,700	\$ 14,051,400	\$ 14,250,500
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	590,400	569,700	650,300	604,400	688,600	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	201,900	219,400	226,000	232,800	239,800	247,000
Finance	266,900	279,200	287,500	296,100	305,100	314,200
Community Development	797,900	1,140,500	1,166,400	1,193,300	1,220,700	1,149,100
Public Works	723,900	779,100	802,000	825,400	849,500	874,200
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	3,966,200	4,735,800	5,024,200	5,330,200	5,654,800	5,999,200
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	755,000	883,000	931,000	967,000	1,019,000	1,050,000
Reserve Fund (25% of Expenditures)	1,887,500	150,400	117,900	91,700	129,800	77,700
Total	\$ 10,192,500	\$ 9,867,700	\$ 10,354,900	\$ 10,731,600	\$ 11,340,700	\$ 11,630,400
Net Revenue / (Deficit)	1,916,900	3,325,500	3,118,300	3,027,100	2,710,700	2,620,100
Ending Fund Balance	\$ 1,916,900	\$ 3,325,500	\$ 6,443,800	\$ 9,470,900	\$ 12,181,600	\$ 14,801,700

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,697,500)	\$ (1,740,000)	\$ (1,784,500)	\$ (1,830,100)
Revenues by Source						
Gas Tax (Sec. 2105)	1,400	1,400	1,500	1,500	1,500	1,500
Gas Tax (Sec. 2106)	132,700	136,700	138,100	139,500	140,900	142,300
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	5,000	5,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 264,500	\$ 268,500	\$ 271,000	\$ 272,400	\$ 273,800	\$ 275,200
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,572,800)	(1,697,500)	(1,740,000)	(1,784,500)	(1,830,100)	(1,876,800)
Ending Fund Balance	\$ (1,572,800)	\$ (1,697,500)	\$ (3,437,500)	\$ (3,524,500)	\$ (3,614,600)	\$ (3,706,900)

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	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	7,348,500				
Road	-	1,177,700				
Water and Sewer	-	13,541,500				
Total	\$ -	\$ 22,067,700				
Beginning Fund Balance	\$ -	\$ 22,067,700	\$ 22,178,200	\$ 22,395,500	\$ 22,622,000	\$ 22,853,900
Dissolved District Revenues						
Property Taxes from Dissolved Districts	15,941,000	16,940,300	17,265,000	17,596,300	17,934,300	18,279,000
Fees for Services						
General	7,148,500	7,615,300	7,777,600	7,943,300	8,112,600	8,285,500
Road Districts	1,003,400	1,068,900	1,091,700	1,115,000	1,138,800	1,163,100
Water and Sewer Districts	15,052,600	16,035,600	16,377,300	16,726,300	17,082,700	17,446,700
Interest Earnings	-	69,000	69,300	70,000	70,700	71,400
Total	\$ 39,145,500	\$ 41,729,100	\$ 42,580,900	\$ 43,450,900	\$ 44,339,100	\$ 45,245,700
Dissolved Districts Expenditures						
Fire Protection	16,560,100	17,641,500	18,017,400	18,401,400	18,793,500	18,793,500
Other Operating Expenditures						
General	7,355,300	7,835,600	8,002,600	8,173,100	8,347,300	8,525,200
Road Districts	986,700	1,051,100	1,073,500	1,096,400	1,119,800	1,143,700
Water and Sewer Districts	12,377,100	13,185,400	13,466,400	13,753,400	14,046,500	14,345,800
Debt Service	2,762,200	1,905,000	1,803,700	1,800,100	1,800,100	1,800,100
Total	\$ 40,041,400	\$ 41,618,600	\$ 42,363,600	\$ 43,224,400	\$ 44,107,200	\$ 44,608,300
Net Revenue / (Deficit)	(895,900)	110,500	217,300	226,500	231,900	637,400
Ending Fund Balance	\$ (895,900)	\$ 22,178,200	\$ 22,395,500	\$ 22,622,000	\$ 22,853,900	\$ 23,491,300

Exhibit F: Scenario 3 No Hilltop – Additional Increases to Secured AV Growth and Sales Tax Growth

GENERAL FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ 3,460,000	\$ 6,759,700	\$ 10,019,300	\$ 13,014,000
Revenues by Source						
Property Taxes	7,419,100	8,001,200	8,194,200	8,393,200	8,596,200	8,805,100
Sales Taxes	1,144,300	1,232,300	1,263,200	1,294,800	1,327,200	1,360,300
Property Transfer Taxes	116,200	128,500	131,700	135,000	138,300	141,800
Transient Occupancy Taxes	1,600,700	1,705,300	1,741,600	1,778,700	1,816,600	1,855,300
Off Highway License Subvention	1,400	1,400	1,500	1,500	1,500	1,500
Animal Control Fees	279,700	334,000	354,300	375,900	398,800	423,100
Fines & Forfeitures	50,800	53,500	54,000	54,600	55,100	55,700
Franchise Fees	602,300	620,600	626,800	633,000	639,400	645,700
Community Development Fees	798,900	1,140,800	1,166,700	1,193,600	1,221,000	1,149,400
Public Works Fees	101,100	110,400	113,700	117,100	120,700	124,300
Interest Earnings	-	-	7,200	14,100	20,900	27,100
Total	\$ 12,114,500	\$ 13,328,000	\$ 13,654,900	\$ 13,991,500	\$ 14,335,700	\$ 14,589,300
Expenditures by Department						
City Council	25,600	25,600	25,600	25,800	25,800	25,800
City Administration	590,400	569,700	650,300	604,400	688,600	641,100
City Attorney	154,000	168,300	173,300	178,500	183,900	189,400
Human Resources	201,900	219,400	226,000	232,800	239,800	247,000
Finance	266,900	279,200	287,500	296,100	305,100	314,200
Community Development	798,900	1,140,800	1,166,700	1,193,600	1,221,000	1,149,400
Public Works	723,900	779,100	802,000	825,400	849,500	874,200
Animal Control	279,700	334,000	354,300	375,900	398,800	423,100
Law Enforcement	3,966,200	4,735,800	5,024,200	5,330,200	5,654,800	5,999,200
Non-Departmental	543,500	582,700	596,400	610,500	624,900	639,600
Transition Period Loan Repayment	TBD	TBD	TBD	TBD	TBD	TBD
Revenue Neutrality Payment	-	-	-	-	-	-
Contingency (10% of Expenditures)	755,000	883,000	931,000	967,000	1,019,000	1,050,000
Reserve Fund (25% of Expenditures)	1,887,800	150,400	117,900	91,700	129,800	77,700
Total	\$ 10,193,800	\$ 9,868,000	\$ 10,355,200	\$ 10,731,900	\$ 11,341,000	\$ 11,630,700
Net Revenue / (Deficit)	1,920,700	3,460,000	3,299,700	3,259,600	2,994,700	2,958,600
Ending Fund Balance	\$ 1,920,700	\$ 3,460,000	\$ 6,759,700	\$ 10,019,300	\$ 13,014,000	\$ 15,972,600

ROAD FUND SUMMARY

	Base Year 2014-15	Annual City Operating Budget				
		2017-18	2018-19	2019-20	2020-21	2021-22
Beginning Fund Balance	\$ -	\$ -	\$ (1,697,500)	\$ (1,740,000)	\$ (1,784,500)	\$ (1,830,100)
Revenues by Source						
Gas Tax (Sec. 2105)	1,400	1,400	1,500	1,500	1,500	1,500
Gas Tax (Sec. 2106)	132,700	136,700	138,100	139,500	140,900	142,300
Gas Tax (Sec. 2107)	125,400	125,400	125,400	125,400	125,400	125,400
Gas Tax (Sec. 2107.5)	5,000	5,000	6,000	6,000	6,000	6,000
Interest Earnings	-	-	-	-	-	-
Total	\$ 264,500	\$ 268,500	\$ 271,000	\$ 272,400	\$ 273,800	\$ 275,200
Expenditures by Department						
Road Maintenance	1,837,300	1,966,000	2,011,000	2,056,900	2,103,900	2,152,000
Total	\$ 1,837,300	\$ 1,966,000	\$ 2,011,000	\$ 2,056,900	\$ 2,103,900	\$ 2,152,000
Net Revenue / (Deficit)	(1,572,800)	(1,697,500)	(1,740,000)	(1,784,500)	(1,830,100)	(1,876,800)
Ending Fund Balance	\$ (1,572,800)	\$ (1,697,500)	\$ (3,437,500)	\$ (3,524,500)	\$ (3,614,600)	\$ (3,706,900)


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CSA/SPECIAL DISTRICT ANALYSIS

	Base Year	Annual City Operating Budget				
	2014-15	2017-18	2018-19	2019-20	2020-21	2021-22
Unrestricted Cash from Dissolved Districts						
General	-	7,348,500				
Road	-	1,177,700				
Water and Sewer	-	13,541,500				
Total	\$ -	\$ 22,067,700				
Beginning Fund Balance	\$ -	\$ 22,067,700	\$ 22,429,000	\$ 22,989,000	\$ 23,654,400	\$ 24,425,600
Dissolved District Revenues						
Property Taxes from Dissolved Districts	15,941,000	17,191,100	17,606,900	18,033,300	18,470,400	18,918,600
Fees for Services						
General	7,148,500	7,615,300	7,777,600	7,943,300	8,112,600	8,285,500
Road Districts	1,003,400	1,068,900	1,091,700	1,115,000	1,138,800	1,163,100
Water and Sewer Districts	15,052,600	16,035,600	16,377,300	16,726,300	17,082,700	17,446,700
Interest Earnings	-	69,000	70,100	71,900	73,900	76,400
Total	\$ 39,145,500	\$ 41,979,900	\$ 42,923,600	\$ 43,889,800	\$ 44,878,400	\$ 45,890,300
Dissolved Districts Expenditures						
Fire Protection	16,560,100	17,641,500	18,017,400	18,401,400	18,793,500	18,793,500
Other Operating Expenditures						
General	7,355,300	7,835,600	8,002,600	8,173,100	8,347,300	8,525,200
Road Districts	986,700	1,051,100	1,073,500	1,096,400	1,119,800	1,143,700
Water and Sewer Districts	12,377,100	13,185,400	13,466,400	13,753,400	14,046,500	14,345,800
Debt Service	2,762,200	1,905,000	1,803,700	1,800,100	1,800,100	1,800,100
Total	\$ 40,041,400	\$ 41,618,600	\$ 42,363,600	\$ 43,224,400	\$ 44,107,200	\$ 44,608,300
Net Revenue / (Deficit)	(895,900)	361,300	560,000	665,400	771,200	1,282,000
Ending Fund Balance	\$ (895,900)	\$ 22,429,000	\$ 22,989,000	\$ 23,654,400	\$ 24,425,600	\$ 25,707,600

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: OCTOBER 14, 2015 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8: First Quarter Financial Review for Period July 1 through September 30, 2015

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Note receipt of this report and file.
2. Increase Expenditure Account 2445 (Other Professional Services) by \$75,000 to \$122,428 to account for the consultant contract for supplemental staffing approved by the Commission on September 16, 2015.
3. Increase Revenue Account 9800 (LAFCO Fees) by \$45,864 to \$84,614 to account for an increase receipts from proposals received.
4. Recognize the increase in Cash Carryover from Fiscal Year 2014-15 of \$29,136 in Revenue Account 9970 for a total of \$186,960 [Total for Revenue Account 9970 (all carryovers to include reserves) increases to \$703,645].
5. Authorize the restitution of sick leave and payment of that leave into Retirement Medical Trust as authorized by LAFCO Benefit Plan based upon separation of employee from LAFCO service, and direct the Executive Officer to coordinate with the County HR Department to provide for payment of this benefit.
6. To account for the mandatory leave payouts from the separation of an employee transfer revenues as follows:
 - a) Increase Account 1010 (Regular Salary) by \$4,118 to \$459,396
 - b) Increase Account 1045 (Termination Payment) by \$2,604

- c) Decrease Account 6030 (Compensated Absences Reserve) by \$6,722 to \$9,607

BACKGROUND:

The first quarter of Fiscal Year 2015-16 has concluded and staff is presenting the Commission with its first financial report. This report includes a review of the financial activities and the presentation of a spreadsheet (Attachment #1) showing the line item expenditures and receipts during the period. The following narrative provides a discussion of:

- Expenditures and reserves, revenues received, an update on special project activities, and a breakdown of the fund balance at the end of the quarter.
- Recommended budget adjustments to account for:
 - Consultant contract for supplemental staffing approved by the Commission on September 16, 2015
 - Increase in revenue due to proposals received
 - Increase in Cash Carryover from Fiscal Year 2014-15
 - Mandatory leave payouts from the separation of an employee

Expenditures and Reserves

Expenditures are comprised of two categories of accounts: 1) Salaries and Benefits, and 2) Services and Supplies. Through the first quarter, total expenditures are at 27% of Approved Budget authority. There has been no request made for utilization of funds maintained in the Contingency and Reserve accounts during the first quarter. However, later this report will detail the staff's request to process a transfer from the Compensated Absence Reserve funds related to an employee leaving LAFCO service that would occur during the second quarter. A more detailed analysis of the categories is as follows:

1. Salaries and Benefits (1000 series)

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$184,157 through the first quarter, representing 25% of Approved Budget authority.

During the first quarter, the separation of LAFCO Analyst Joe Serrano from LAFCO employment required a mandatory payout of accumulated leave balances (vacation and holiday) totaling \$4,118 (Account 1010). The Commission's reserve policy requires that the balance of San Bernardino LAFCO employee compensated absences shall be funded and placed in a committed reserve account (Account 6030). LAFCO staff recommends that the payout amount of \$4,118 transfer from Compensated Absences Reserve (Account 6030) to Account 1010 (Regular Salary) to account for the payout.

In addition, it was discovered that the provision of the *LAFCO Policy and Procedure Manual*, to implement the payment of 75% of the employees accumulated sick leave balance into the Retirement Medical Trust Fund (RMT) had not been done.

According to County Human Resources, it can reverse the forfeiture and have the deposit made into the RMT once the Commission approves the action and they receive the necessary paperwork from SBCERA, OCERA and the employee. Under the discussion of the Contingency and Reserve funds will be the actions necessary to fund these charges.

2. Services and Supplies (2000 and 5000 series)

A. *First Quarter Activity*

For the first quarter, the Services and Supplies series of accounts (2000 and 5000 series) had expenditures of \$98,525, or 30% of Approved Budget authority. Payments that are typical to the first quarter that have taken place include: payment for the California Association of LAFCOs (CALAFCO) membership, the CALAFCO Annual conference (registration, hotel, and travel for staff and Commissioners), and the Commission's property and liability insurance. These one-time and full-year expenditures are generally on target for the fiscal year. Additionally, payments occurred for the Commission-approved: special study for Morongo Valley Community Services District, sphere of influence amendment for the Chino Basin Water Conservation District, and preliminary feasibility study for a potential Rim of the World incorporation.

B. *Anticipated Expenditures*

Anticipated activities for the second quarter include significant expenditures, identified as:

- Full-year payments for the annual financial audit (\$11,868) and subscription to the County Street Network (\$10,500) for maintenance of digital mapping.
- Consultant contract for supplemental staffing approved by the Commission on September 16, 2015, not to exceed \$75,000. To account for the consultant contract, staff recommends that the Commission increase Expenditure Account 2445 (Other Professional Services) by \$75,000 to \$122,428.
- Payments for the processing of the water, wastewater, and streetlights service reviews for the Valley Region.
- As described in more detail in the Revenue section below, proposals received just through the first quarter are not only at above normal activity but are also more complex. Significant payments for the processing of the proposals (legal costs, advertising and mailing) are anticipated.

C. Status of Ongoing Commission-approved Projects

The following provides an update on expenditures and progress on projects or proposals approved by the Commission or special studies initiated by the Commission.

INSTALLATION OF FIBER OPTIC LINE:

Due to the County Workforce Development Department vacating the building where the LAFCO office is located, LAFCO was required to install its own dedicated communications line. The budget for the installation of a dedicated fiber optic line is \$20,000. In August the installation was completed. Costs incurred related to Verizon's work is \$6,116. The remainder of the costs, when received, will stem from the County's work but are expected to be within the budgeted amount.

FEASIBILITY STUDY FOR INCORPORATION OF THE RIM OF THE WORLD COMMUNITIES:

In August 2014, the County Board of Supervisors, as a part of the 2013-14 Year-End Budget Review (Item #64), approved the Discretionary Funding of \$24,773 to be provided to LAFCO to prepare a preliminary feasibility study for the incorporation of the Rim of the World communities. At the September 2014 hearing the Commission authorized the contract with Rosenow Spevacek Group (RSG) to prepare the financial projections for this study.

Of the \$24,773 received for the special study, \$15,000 was earmarked for the contract with RSG and \$9,773 was allocated toward LAFCO staff time. However, additional information needs required the shifting of some of the funds proposed for staff costs for payment to RSG. The contract costs have been paid in full; although additional costs for RSG attendance at County and community meetings have yet to be received. In addition, the Second District requested supplemental information be provided related to the feasibility study outside the existing LAFCO contract. LAFCO will receive additional funds from the Second District to cover the costs of the "Sensitivity Analysis" prepared as an addition to the contract. At this hearing staff will be presenting the Preliminary Feasibility Study on the Rim of the World Incorporation.

EDUCATIONAL TRAINING PROGRAM FOR SPECIAL DISTRICTS:

The Commission has expressed its desire to provide continuing governance training for the special districts within the County. As a part of this year's budget, staff developed an education program with the California Special Districts Association (CSDA) and the Institute for Local Government (ILG) – see chart below. CSDA has indicated that it would not charge to conduct the training, and ILG has identified a cost of \$2,300.

Educational Training Program Timeline		
Training Session	Collaboration	Date
Understanding the Brown Act – Beyond the Basics	California Special Districts Association	September 28, 2015
Partnering with Community-based Organizations for more Inclusive Public Engagement	Institute for Local Government	January 13, 2016
Positioning Your Agency for Successful Financing (webinar)	California Special Districts Association	February 24, 2016

The first session took place on September 28 at the Mojave Water Agency in Apple Valley, and estimated costs incurred were minimal, consisting of refreshments, copying charges and miscellaneous supplies. The session was well attended, included a cross-section of agencies, and overall feedback has been positive. Attendees totaled 49 persons from 22 different agencies, which represented 14 districts, three cities, four JPAs, and one MAC. The survey results are as follows:

What is your overall rating of this seminar? 9.0 Out of 10
How would you rate the pre-seminar registration process? 9.3
How would you rate the on-site registration process? 8.6
How would you rate the facility? 9.4

SPECIAL STUDY OF THE MORONGO VALLEY COMMUNITY SERVICES DISTRICT:

At the July hearing, staff presented the special study of the Morongo Valley Community Services District to the Commission. Additionally, at the request of the district, on September 30 LAFCO staff presented the special study and its findings at a community meeting in Morongo Valley. The costs for this special study (mainly comprised of staff time) are borne by the Commission as it directed

staff to address the concerns of the community. It is estimated that the total cost of the study are \$9,400.

SPHERE OF INFLUENCE AMENDMENT FOR THE CHINO BASIN WATER CONSERVATION DISTRICT:

As an outgrowth of the May 2015 service review for *Water Conservation in the Valley Region*, the Commission initiated a sphere of influence amendment for the Chino Basin Water Conservation District. The Commission considered the sphere amendment in September. The costs for this sphere amendment (mainly comprised of staff time) are borne by the Commission as the applicant.

3. Contingency and Reserves (6000 series)

No activity has been authorized by the Commission to take place in the Contingency or Reserve accounts during the first quarter.

As previously mentioned, the separation of Joe Serrano from LAFCO employee in the first quarter required a mandatory payout of accumulated vacation and holiday leave balances totaling \$4,118 (Account 1010). In addition, as part of the preparation of the First-Quarter review it was discovered that the transfer of 75% of the sick leave balance to the Retirement Medical Trust had not taken place. In reviewing this question, it was learned that as a part of the PEPRA implementation occurring at the time of Joe's original hiring, a form was not included in the processing. The EMACs checklist in use at the time did not identify the form, nor did LAFCO staff verify its need upon his separation. In order to rectify this oversight, the staff is recommending that the Commission direct the Executive Officer to request that the County EMACs system reinstate the sick leave time eliminated (146.84 hours at a value of \$3,471.46), convert it to the Retirement Medical Trust (RMT) pursuant to LAFCO Benefit Plan Policies (75% of sick leave balance or \$2,604) and provide notification to the employee of the payment of this benefit.

The Commission's reserve policy requires that the balance of San Bernardino LAFCO employee compensated absences shall be funded and placed in a committed reserve account (Account 6030). LAFCO staff recommends that the payout amount of \$6,772 transfer from Compensated Absences Reserve (Account 6030) to Account 1010 (Regular Salary -- \$4,118) and Account 1045 (Termination Payment -- \$2,604) to account for the payouts.

Revenues

1. Revenues through First-Quarter

The Commission has received 108% of Adopted Budget revenues through the first quarter. The items below outline the revenue activity:

- Interest (Account 8500) - A minimal amount of \$813 in interest revenue was gained from the Commission's cash in the County Treasury as this reflects the final quarter of Fiscal Year 2014-15 cash. The bulk of LAFCO's revenues are received during the first quarter of the fiscal year through receipt of its annual apportionment. However, it is anticipated that the annual interest rate will remain low for the balance of the year providing limited resources.
- Apportionment (Account 8842) - 100% of the mandatory apportionment payments from the County, cities, and independent special districts billed by the County Auditor have been received.
- Fees and Deposits (Accounts 9545 – 9800) – Through the first quarter, the Fees and Deposits series of accounts have received 173% of its budgeted revenue (\$180,546). Of this amount, 94% is related to proposals, 4% cost recovery, and 2% service contracts.

Most of the proposals are grand in scale and scope (two annexations to County Fire, annexations to the City of Big Bear Lake of municipally owned properties, and a reorganization to include annexations to the City of Rialto and the West Valley Water District). To account for the increase in revenues and to balance the budget, staff is recommending that the Commission increase Revenue Account 9800 (LAFCO Fees) by \$45,864 to \$84,614.

- Carryover from Prior Year (Account 9970)

The fund balance at the prior fiscal year's closure was carried forward into FY 2015-16 (\$758,758), and is composed of the following:

- All of the Contingency and Reserve funds identified in the FY 2014-15 budget have been carried forward, \$516,685.
- Allocated but unspent funds of \$3,275 from Commission-approved projects.
- Additional cash carryover of \$238,798 composed of the following:
 - Carryover of \$157,824 into FY 2015-16 to balance the budget.
 - Liabilities of \$51,838 include deferred revenue related to open applications and accounts payable.
- Unrecognized and unassigned carryover from FY 2014-15 of \$29,136. To account for the increase in carryover and to balance the budget, staff recommends that the Commission increase Account 9970 (Carryover from Prior Year) by 29,136.

2. Proposal Activity

The figure below identifies the number of proposals and service contracts received through the first quarter. The figure identifies that seven proposals and three service contracts were received in the first quarter. As identified above, the receipt of these proposals has brought in over \$180,000. Attachment #2 to this staff report includes a chart showing the yearly comparison of proposal, service review, and completed service review activity.

Activity	Budget	Through September	
		No.	% of Budget
Proposals	6	7	117%
Service Contracts - Development, Commission approval	1	0	0%
Service Contracts - Request for Exemption from 56133	0	1	
Service Contracts - Admin (E.O.) approval	4	2	50%
Protest Hearing Deposits	5	1	20%

Since the end of the first quarter, two service contracts have been received. One is a development related service contract (\$4,000 fee), and the other is a request for exemption from Gov. Code 56133 (\$2,250 fee). These two service contracts are not shown in the chart above or the revenues identified in this report.

The remainder of the year anticipates the completion of the second cycle service reviews for water (wholesale, retail, and recycled), sewer (collection, treatment, and reclamation), and streetlights. By action taken at the September hearing, the Commission has directed staff to prioritize its activities to address the fire proposals submitted as the top priority, other jurisdictional changes next, and service reviews to follow.

Fund Balance

As of September 30, the Commission's cash in the County Treasury was \$1,542,008. A breakdown of this amount is shown below.

September 30, 2015 Balance		\$1,542,008
Balance is composed of the following:		
Liabilities (as of Oct 5, 2015)		
	Deposits Payable/(Receivable) from open applications	24,695
Committed (constrained to specific purposes)		
	Net Pension Liability Reserve (Account 6010)	82,750
	Compensated Absences Reserve (Account 6030)	79,211
Assigned (intended for specific purposes)		
	Contingency (Account 6000)	105,501
	General Reserve (Account 6025)	291,007
	Projected Remaining Expenditures (full budgeted amount)	851,445
Estimated Carryover into FY 2016-17 (assumes full gain from active proposals)		107,399
BALANCE		\$1,542,008

CONCLUSION:

This year is shaping to be one not only with above normal activity, but also one with complex proposals which could directly impact the quality of life of hundreds of thousands of residents of our County. The approval of a consultant for supplemental staffing should help with the processing burden; however, staff will implement the direction of the Commission on its priorities. It is staff's recommendation that the Commission take the actions identified on page 1 of this report. These actions include:

- Acknowledge the obligation for placement of 75% of the sick leave balance of Joe Serrano upon his separation from LAFCO into a Retirement Medical Trust and direct staff to address the details necessary to effectuate that correction. In order to acknowledge this separation occurring in the first quarter, required mandatory payouts of accumulated leave balances totaling \$6,722 (Accounts 1010 and 1045). The Commission's reserve policy requires that the balance of San Bernardino LAFCO employee compensated absences shall be funded and placed in a committed reserve account (Account 6030). LAFCO staff recommends that the amount of \$6,722 transfer from Compensated Absences Reserve (Account 6030) to Account 1010 (Regular Salary) \$ 4,118 and Account 1045 (Termination Payment) \$2,604 to account for the payout.
- To account for the consultant contract for supplemental staffing approved by the Commission on September 16, 2015, staff recommends that the Commission:
 - Increase Expenditure Account 2445 (Other Professional Services) by \$75,000 to \$122,428.

- Balance the budget by:
 - Increasing Revenue Account 9800 (LAFCO Fees) by \$45,864 to \$84,614 to account for an increase in proposals received.
 - Recognize the increase in Cash Carryover from Fiscal Year 2014-15 of \$29,136 in Revenue Account 9970 for a total of \$186,960.

Staff will be happy to answer any questions from the Commission prior to or at the hearing regarding the items presented in this report.

KRM/MT

Attachments:

1. Spreadsheet of First-Quarter Expenditures, Reserves, and Revenues
2. Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity

Spreadsheet of First-Quarter Expenditures, Reserves, and Revenues

Attachment 1

FISCAL YEAR 2015-16

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 14-15	APPROVED FY 15-16 BUDGET	AMENDED FY 15-16 BUDGET	JULY	AUGUST	SEPT	THRU 1st QUARTER	PERCENT OF APPROVED BUDGET
	SALARIES AND BENEFITS								
1010	<i>Regular Salary and Bilingual</i>	\$ 434,318	\$ 455,279	\$ 459,396	\$ 32,796.82	\$ 37,356.91	\$ 49,839.37	\$ 119,993	26%
1030	Auto and Cell Phone Allowances	17,000	17,327	17,327	1,307.70	1,307.70	1,961.55	4,577	26%
1035	Overtime	201	-	-	59.10	47.28	143.61	250	
1045	<i>Termination Payment</i>			2,604			-	-	
1050	Special Compensation	8,750							
1110	General Member Retirement	104,122	115,531	115,531	7,973.76	9,711.91	11,055.63	28,741	25%
1130	Survivors Benefits	238	245	245	17.85	17.20	20.64	56	23%
1135	Indemnification - General	20,634	20,163	20,163	1,521.70	1,521.70	1,978.21	5,022	25%
1200	Employee Group Insurance (Health Subsidy)	45,620	63,950	63,950	3,509.26	3,536.06	4,247.40	11,293	18%
1205	Long-Term Disability	1,079	1,127	1,127	83.41	75.65	86.73	246	22%
1207	Vision Care Insurance	822	837	837	63.20	63.20	75.84	202	24%
1215	Dental Insurance & Health Subsidy	1,530	1,557	1,557	117.82	105.72	130.20	354	23%
1222	Short-Term Disability	3,590	3,744	3,744	277.52	272.89	342.39	893	24%
1225	Social Security Medicare	5,646	5,790	5,790	417.92	472.35	632.42	1,523	26%
1235	Workers' Compensation	1,983	4,911	4,911	-	1,982.85	-	1,983	40%
1240	Life Insurance & Medical Trust Fund	4,614	5,593	5,593	355.02	400.14	598.77	1,354	24%
1305	Medical Reimbursement Plan	2,140	6,920	6,920	160.00	190.00	330.00	680	10%
1314	457/401a Defined (LAFCO Contribution)	1,622	1,691	1,691	125.23	125.44	160.65	411	24%
1315	401k Contribution	25,951	27,063	27,063	2,003.34	2,006.52	2,570.26	6,580	24%
1000	Salary Reserve								
	TOTAL SALARIES & BENEFITS	\$ 679,860	\$ 731,729	\$ 738,449	\$ 50,789.65	\$ 59,193.52	\$ 74,173.67	\$ 184,157	25%
	Staffing (Full time equivalent units)	4.5	5.5	5.5					
	SERVICES AND SUPPLIES								
	Services:								
2037	COMNET Charge (ISF)	\$ 2,432	\$ 2,828	\$ 2,828	203.49	213.01	213.01	\$ 630	22%
2038	Long Distance Charges	81	120	120	4.46	10.56	-	15	13%
2040	Relocation Charges - Phone Service	-	18,200	18,200	-	2,530.00	3,585.64	6,116	34%
2041	Phone Service/Outside Company	422	540	540	-	115.17	-	115	21%
2043	Electronic Equipment Maintenance	498	9,180	9,180	-	-	-	-	0%
2075	Membership Dues	8,509	8,447	8,447	7,577.00	-	-	7,577	90%
2076	Tuition Reimbursement	100	2,000	2,000	-	-	-	-	0%
2080	Publications	2,690	3,395	3,395	44.00	169.92	-	214	6%
2085	Legal Notices	12,936	21,000	21,000	3,534.02	616.00	893.20	5,043	24%
2115	Computer Software	4,234	8,435	8,435	1,313.00	1,464.36	-	2,777	33%
2125	Inventoriable Equipment	4,660	-	-	-	-	-	-	
2245	Other Insurance	7,128	7,078	7,078	7,085.01	-	-	7,085	100%
	Supplies:								
2305	General Office Expense	12,844	9,232	9,232	703.48	153.59	760.05	1,617	18%
2308	Credit Card Clearing Account	(1,628)	-	-	510.34	(510.34)	5,898.05	5,898	
2310	Postage - Direct Charge	19,869	12,912	12,912	875.74	596.43	1,262.28	2,734	
2315	Records Storage	620	570	570	-	203.27	-	203	36%
2323	Reproduction Services	2,601	-	-	-	-	-	-	

FISCAL YEAR 2015-16

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 14-15	APPROVED FY 15-16 BUDGET	AMENDED FY 15-16 BUDGET	JULY	AUGUST	SEPT	THRU 1st QUARTER	PERCENT OF APPROVED BUDGET
	Consultant & Special Services:								
2400	Prof & Special Service (Legal Counsel)	28,042	29,300	29,300	8,796.87	2,195.65	9,491.80	20,484	70%
2405	Auditing	8,000	11,868	11,868	-	-	-	-	0%
2410	Data Processing	6,848	7,565	7,565	557.42	605.83	585.59	1,749	23%
2415	COWCAP	6,308	-	-	-	-	-	-	
2420	ISD Other IT Services	753	701	701	58.44	58.44	58.44	175	25%
2421	ISD Direct	10,157	9,180	9,180	683.84	727.12	779.89	2,191	24%
2424	Mgmt & Tech (Environmental Consultant)	11,288	9,300	9,300	525.00	85.00	795.00	1,405	15%
2444	Security Services	408	408	408	-	138.00	-	138	34%
2445	Other Prof (Commission, Surveyor, ROV)	42,133	47,428	122,428	3,851.92	3,679.37	6,820.47	14,352	30%
2449	Outside Legal (Litigation & Special Counsel)	3,956	-	-	2,322.00	-	-	2,322	
2450	Application Development Support	216	1,500	1,500	21.55	-	-	22	1%
2460	GIMS Charges	10,608	14,180	14,180	156.00	-	-	156	1%
	Lease/Purchases:								
2895	Rent/Lease Equipment (copier)	4,912	6,180	6,180	-	509.37	-	509	8%
2905	Office/Hearing Chamber Rental	51,219	52,741	52,741	4,353.41	4,753.41	-	9,107	17%
	Travel Related Expenses:								
2940	Private Mileage	2,410	4,394	4,394	291.43	291.43	322.48	905	21%
2941	Conference/Training	6,817	6,850	6,850	2,125.00	95.00	-	2,220	32%
2942	Hotel	6,838	5,850	5,850	-	874.00	-	874	15%
2943	Meals	1,150	1,900	1,900	-	223.71	33.03	257	14%
2944	Car Rental	227	150	150	-	-	-	-	0%
2945	Air Travel	3,705	5,650	5,650	-	71.01	-	71	1%
2946	Other Travel	1,676	600	600	-	205.80	-	206	34%
	Other Charges:								
5012	Services Out (Staples)	4,742	3,600	3,600	-	783.01	574.56	1,358	38%
	TOTAL SERVICES & SUPPLIES	\$ 290,409	\$ 323,280	\$ 398,282	\$ 45,593.42	\$ 20,858.12	\$ 32,073.49	\$ 98,525	30%
TOTAL EXPENDITURES		\$ 970,269	\$ 1,055,009	\$ 1,136,731	\$ 96,383.07	\$ 80,051.64	\$ 106,247.16	\$ 282,682	27%
	RESERVES								
6000	Contingency		\$ 105,501	\$ 105,501					0%
6010	Net Pension Liability Reserve		82,750	82,750					0%
6025	General Reserve		291,007	291,007					0%
6030	Compensated Absences Reserve		83,329	76,607					0%
TOTAL CONTINGENCIES & RESERVES			\$ 562,587	\$ 555,865	\$ -	\$ -	\$ -	\$ -	0%
TOTAL APPROPRIATION		\$ 970,269	\$ 1,617,596	\$ 1,692,596	\$ 96,383.07	\$ 80,051.64	\$ 106,247.16	\$ 282,682	17%

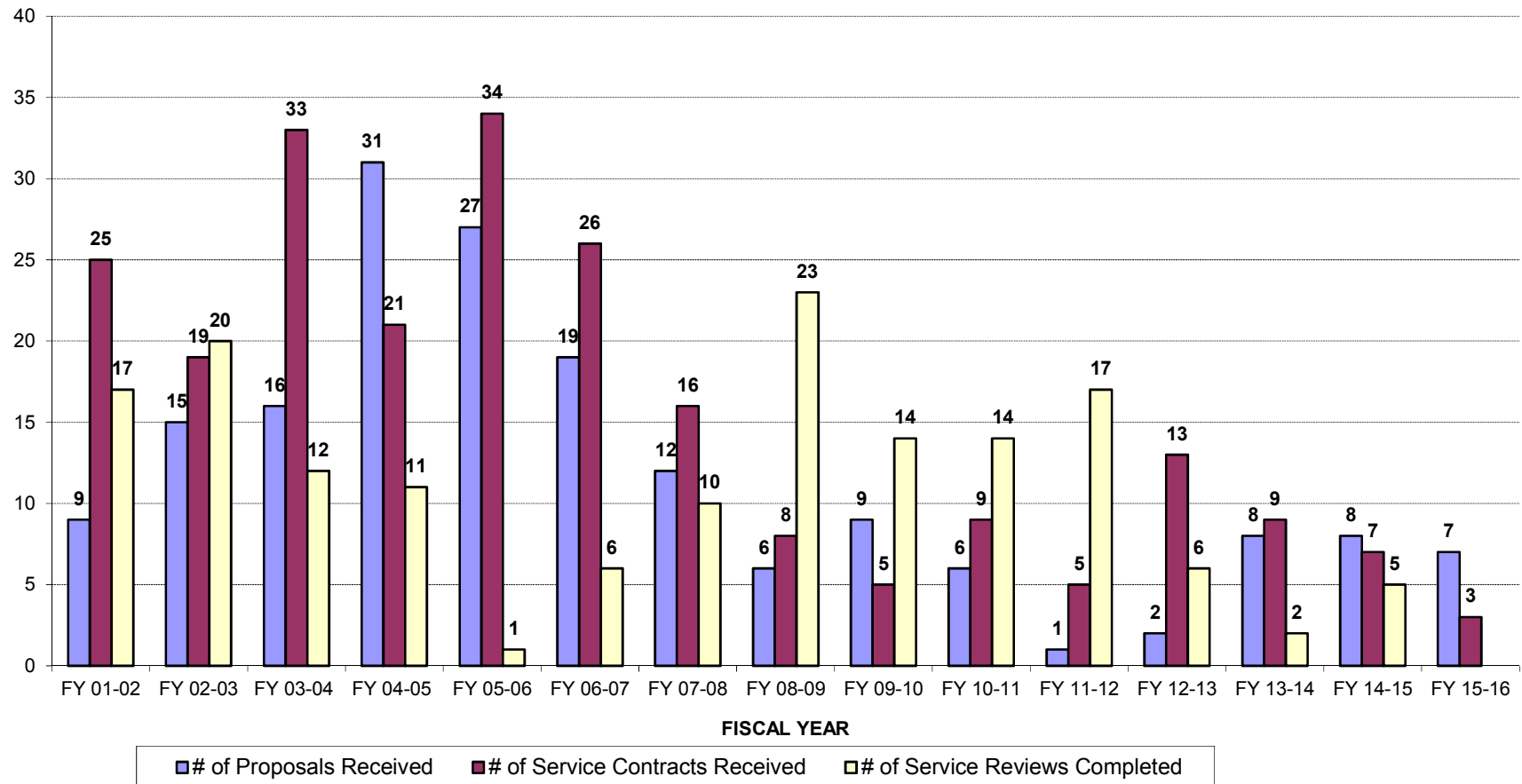
FISCAL YEAR 2015-16

ACCT #	ACCOUNT NAME	ACTUAL YEAR-END FY 14-15	APPROVED FY 15-16 BUDGET	AMENDED FY 15-16 BUDGET	JULY	AUGUST	SEPT	THRU 1st QUARTER	PERCENT OF APPROVED BUDGET
	CONTRIBUTION REVENUES								
	Use of Money:								
8500	Interest	\$ 4,287	\$ 4,000	\$ 4,000	\$ 812.68	\$ -	\$ -	\$ 813	20%
	Mandatory Contribution from Governments:								
8842	Local Government -- For FY 2015-16 apportionment to County, Cities, and Independent Special Districts of approximately \$294,039 each	864,822	882,117	882,117	711,041.55	171,055.61	19.84	882,117	100%
	Fees and Deposits (Current Services):								
9545	Individual Notice	5,912	4,900	4,900	1,400.00	-	2,700.00	4,100	84%
9555	Legal Services	9,195	7,475	7,475	3,266.82	1,778.76	9,800.00	14,846	199%
9655	GIMS Fees	7,580	2,400	2,400	-	400.00	-	400	17%
9660	Environmental	12,005	4,950	4,950	1,500.00	50.00	2,300.00	3,850	78%
9800	LAFCO Fees	95,619	38,750	84,614	30,270.47	1,450.00	125,630.00	157,350	186%
	Total Fees and Deposits	130,311	58,475	104,339	36,437.29	3,678.76	140,430.00	180,546	173%
	TOTAL CONTRIBUTION REVENUES	\$ 999,420	\$ 944,592	\$ 990,456	\$ 748,291.52	\$ 174,734.37	\$ 140,449.84	\$ 1,063,476	107%
	OTHER REVENUES								
9910	Refunds from Prior Year Revenue	\$ (2,472)	\$ (2,000)	\$ (2,000)	\$ (30.00)		\$ -	\$ (30)	2%
9930	Miscellaneous Revenues	2,211	495	495			2,510.00	2,510	507%
9970	Carryover of Open Proposals/Projects	16,510			55,114.00			55,114	
9970	Carryover from Prior Year, Unassigned	250,087	157,824	186,960	186,960.00			186,960	100%
	TOTAL CONTRIBUTION REVENUES	266,335	156,319	185,455	242,044.00	-	2,510.00	244,554	132%
	TOTAL REVENUES	1,265,755	1,100,911	1,175,911	990,335.52	174,734	142,959.84	1,308,030	111%
	RESERVES FROM PRIOR YEAR, as of July 1								
9970	Contingency	99,872	87,356	87,356	87,355.73			\$ 87,356	100%
9970	Net Pension Liability Reserve	46,780	56,432	56,432	56,432.00			56,432	100%
9970	General Reserve	250,000	300,000	300,000	300,000.00			300,000	100%
9970	Compensated Absences Reserve	66,620	72,897	72,897	72,897.00			72,897	100%
	TOTAL RESERVES FROM PRIOR YEAR	\$ 463,272	\$ 516,685	\$ 516,685	\$ 516,685	\$ -	\$ -	\$ 516,685	100%
	TOTAL REVENUE AND RESERVES	\$ 1,729,027	\$ 1,617,596	\$ 1,692,596	\$ 1,507,020.25	\$ 174,734	\$ 142,960	\$ 1,824,714	108%
	Note: Spreadsheet utilizes the cash basis of accounting and does not include accrual/reversal data which do not affect fund balance.								

**Chart Illustrating Yearly Proposal,
Service Contract, and
Service Review Activity**

Attachment 2

Number of Proposals & Service Contracts Received, and Service Reviews Completed by Fiscal Year



Through Sept 2015