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 FEBRUARY 17, 2016

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 January 18, 2016

2. Approval of Executive Officer's Expense Report

3. Ratify Payments as Reconciled for Months of January 2016 and Note Cash Receipts

PUBLIC HEARING ITEMS:

4. Consent Items Deferred for Discussion

5. Consideration of: (1) CEQA Statutory Exemption for LAFCO 3193; and (2) LAFCO 3193 – Sphere of Influence Amendment (Expansion) for the Phelan Pinon Hills Community Services District

6. Consideration of: (1) CEQA Statutory Exemption for LAFCO 3194; and (2) LAFCO 3194 – Reorganization to include Annexations to the Phelan Pinon Hills Community Services District and Detachment from County Service Area 70 Zone P-6

7. Consideration of: (1) CEQA Statutory Exemption for LAFCO 3199 and (2) LAFCO 3199 – Sphere of influence Amendment for San Bernardino County Fire Protection District (Twentynine Palms Water District Area)

8. Consideration of: (1) CEQA Statutory Exemption for LAFCO 3200 and (2) LAFCO 3200 – Reorganization to include Annexations to the San Bernardino Fire Protection District, its South Desert Service Zone and Service Zone FP-5 and Divestiture of Fire Powers from the Twentynine Palms Water District

DISCUSSION ITEMS:

9. Status Report on LAFCO 3176 -- Special Study for Yermo, Daggett and Newberry Community Services Districts

10. Status Report on LAFCO 3189 -- Special Study for Morongo Valley Community Services District

11. Status Report on Rim of the World Park and Recreation District

INFORMATION ITEMS:

12. Legislative Update Report

13. Executive Officer's Report

14. 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.)

15. 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.

DRAFT - ACTION MINUTES OF THE - DRAFT
LOCAL AGENCY FORMATION COMMISSION
HEARING OF JANUARY 27, 2016

REGULAR MEETING **9:00 A.M.** **JANUARY 27, 2016**

PRESENT:

COMMISSIONERS:	**Jim Bagley**	**Larry McCallon**
	Kimberly Cox, Vice-Chair	**James Ramos**
	James Curatalo, Chair	**Acquanetta Warren, Alternate**
	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
Jeffery Lum, LAFCO Analyst
Rebecca Lowery, Clerk to the Commission
Angela Schell, Administrative Assistant
Bob Aldrich, LAFCO Consultant

ABSENT:

COMMISSIONERS: **Robert Lovingood**
Janice Rutherford, Alternate
Sunil Sethi, Alternate

9:05 A.M. – CALL TO ORDER – FLAG SALUTE

Chairman Curatalo calls the regular session of the Local Agency Formation Commission to order and leads the flag salute.

Chairman Curatalo requests those present who are involved with any of the changes of organization to be considered today by the Commission, and have made a contribution of more than $250 within the past twelve months to any member of the Commission, to come forward and state for the record their name, the member to whom the contribution has been made, and the matter of consideration with which they are involved.

Commissioner Ramos states that he has a conflict, recuses himself and leaves the dais at 9:08 a.m.

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 December 16, 2015

2. Approval of Executive Officer's Expense Report

3. Ratify Payments as Reconciled for Month of December 2015 and Note Cash Receipts

4. Review and Accept Audit Report for Fiscal Year Ended June 30, 2015

LAFCO considered the items listed under its consent calendar, which includes a Visa Justification, the Executive Officer's expense report and ratification of payments as reconciled for the month of December. Also included is the Audit Report for Fiscal Year ended June 30, 2015. Copies of each report are on file in the LAFCO office and are made part of the record by their reference herein.

It is noted that an amendment for the Executive Officer expense report has been provided to the Commission.

Chairman Curatalo calls for requests for deferral from Commissioners or staff; there are none.

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

PUBLIC HEARING ITEMS:

ITEM 5. CONSENT ITEMS DEFERRED FOR DISCUSSION

No items deferred for discussion.

Chairman Curatalo states that items #6 and #7 on the agenda will be considered together. Chairman Curatalo reviews the Commission's meeting procedures, noting that following the staff's presentation each proponent will be provided a five minute allowance for presentation; thereafter the public will have three minutes each for presentation. Chairman Curatalo opens the public hearings.

ITEM 6. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3197 AND (2) LAFCO 3197 – SPHERE OF INFLUENCE AMENDMENT FOR SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT (CITY OF SAN BERNARDINO AREA)

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3197, a complete copy of which is on file in the LAFCO office and is made apart of the report by its reference here. Notice of the Commission's consideration of this application was published in a newspaper of general circulation within the area, *The Sun*, through a 1/8th page legal ad in-lieu of

individual notice as authorized by statute.

Ms. McDonald states that the City of San Bernardino (hereafter shown as "City") as part of its bankruptcy recovery plan, adopted Resolution 2015-195 on August 25, 2015, initiating an application to expand the sphere of influence for the San Bernardino County Fire Protection District (hereafter shown as "County Fire") to include the entirety of the corporate boundaries of the City of San Bernardino. She states that in addition, the City also initiated an application to annex into County Fire and its related service zones. She states that the City's immediate and long-term financial constraints and insolvency issues preclude the City from continuing to provide long-term fire protection and emergency medical response service at acceptable service levels. She states that approval of LAFCO 3197, along with the approval of LAFCO 3198, will allow the residents of the City to continue to receive adequate fire protection and emergency medical response services.

Ms. McDonald states that it was determined, after lengthy evaluation, that the responsibility for fire services should be shifted to the County, in an effort to help the City gain sustainability and move toward resolving the bankruptcy issues. She states that this was not an easy decision since the City's fire department has been in existence for 134 years and has served the City well.

Ms. McDonald reviews the mandatory criteria that LAFCO is required to consider in the processing of a sphere of influence. She states that for the Present and Planned Land Uses within the City, representing approximately 38,144 acres (60 square miles) in size, contain a full range of land uses including residential, commercial, industrial, public facilities, and open space. The City's General Plan does not designate any territory for agricultural uses. She states that for present and probable need for public facilities and services in the area the City has been challenged to provide fire service across the City, but has been particularly challenged by emergency medical demands, a required service for the health and safety of the citizens of the City.

Ms. McDonald states that the City of San Bernardino has submitted a response to the Factors of Consideration required for the sphere of influence amendment as outlined in Government Code Section 56425.. Ms. McDonald states that with regards to disadvantaged communities, the 2015 Disadvantaged Community Maps maintained by LAFCO identify that the bulk of the City area is disadvantaged, and the Commission has an inherent responsibility to assure the continuation of the critical public health and safety service. She reviews the map on the overhead.

Ms. McDonald states that for the present capacity of public facilities, County Fire operates 75 fire stations, serving approximately 750,000 residents in approximately 16,535 acres of unincorporated territory plus five unincorporated cities and two fire protection districts. She states that it is the largest provider of pre-hospital care in the County and the second largest ambulance provider. She states that County Fire is a fiscally sustainable agency that can provide adequate levels of fire protection and emergency response. She further states that County Fire supports the economic and social community defined by the corporate boundaries of the City of San Bernardino over the long-term and is critical for the safety and well-being of City residents.

Ms. McDonald states that the Commission's Environmental Consultant has reviewed the application materials and has indicated the proposed sphere amendment is not judged to pose any adverse changes to the physical environment and that his recommendation is that sphere amendment is exempt from the requirements of CEQA and that a Notice of Exemption be issued.

Ms. McDonald states that legal notice of the Commission's consideration of the proposal has been provided through publication of an 1/8th page ad in *The Sun,* a newspaper of general circulation and that individual notice was provided to the affected and interested agencies, county departments and individuals requesting special notice. She states that the map and legal description is adequate for this sphere amendment.

Ms. McDonald states that staff is recommending approval of the expansion of the sphere of influence for the San Bernardino County Fire Protection District to include the entirety of the City of San Bernardino.

Chairman Curatalo asks if the Commission has any questions for staff on this proposal. There being none, the Commission continues to the next agenda item.

ITEM 7. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3198 AND (2) LAFCO 3198 – REORGANIZATION TO INCLUDE ANNEXATIONS TO THE SAN BERNARDINO FIRE PROTECTION DISTRICT, ITS VALLEY SERVICE ZONE AND SERVICE ZONE FP-5

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3198, 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 states that notice of the Commission's consideration of this application was published in a newspaper of general circulation within the area, *The Sun*, through a 1/8th page legal ad as authorized by statute and individual notice has been provided to landowners within the area as required by Government Code Section 56121 related to the imposition of an existing special tax.

Ms. McDonald states that the proposal is a reorganization to transfer through annexation, the City's fire responsibilities to the San Bernardino County Fire Protection District (hereafter shown as "SBCFPD" or "County Fire"), its Valley Service Zone and Service Zone FP-5. She reviews a map of the area on the overhead.

Ms. McDonald states that for all applications for change of organization, large or small, the Commission's review will center on making the required determination in four areas; Boundaries, Land Use, Financial and Service Considerations, and Environmental.

Ms. McDonald states that for boundaries, the proposal anticipates the annexation of the entirety of the City of San Bernardino to the San Bernardino County Fire Protection District, its Valley Service Zone and Service Zone FP-5 for the direct provision of fire protection and emergency medical response. The County Fire Valley Service Zone is the defined successor agency to receive the assets and liabilities, responsibilities and obligations of the

City Fire Department, while administrative functions will be provided by the parent district, SBCFPD. She states that one of the concerns identified was the need for transparency in the collection and use of the Service Zone FP-5 special tax proposed to be applied to individual parcels within the City and that in order to identify a means to isolate the revenues, staff is proposing a condition of approval that will require the SBCFPD to create a subzone of FP-5 for that identification purpose.

Ms. McDonald states that the San Manuel Band of Mission Indians has its tribal lands located in the foothills of the San Bernardino Mountains and that some of the portions of the tribal lands are within the boundaries of the City. She says that staff has contacted the Tribal Council requesting their consent to the overlay and in response they have adopted a resolution to allow for the overlay of the SBCFPD within its tribal lands.

Ms. McDonald states that based upon the review of the proposal, it is staff's position that LAFCO 3198 provides for a definite and certain boundary as required by LAFCO law for all the affected agencies, both Successor and continuing service providers.

Ms. McDonald states that for the land use determination, the review and approval of LAFCO 3198 will have no direct effect on the land use designations assigned by the City of San Bernardino through its General Plan. She says that staff has listed in the staff report the acreage and percentage of land uses within the City and reviews the table on the overhead. Ms. McDonald states that the Southern California Association of Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy (RTP/SCS) and that approval of LAFCO 3198 will have no direct impact on those determinations and will assist in the implementation of the 2016 RTP/SCS. Ms. McDonald states that the determination can be made that the approval of LAFCO 3198 will have no direct impact upon land use decisions within the City of San Bernardino.

Ms. McDonald states that for Service considerations the Commission is to ensure that the service levels will, at a minimum, be maintained; that staffing from the City fire operation, including its dispatch operation, will transfer to County Fire and the Joint Powers Authority known as CONFIRE seamlessly and that the reorganization is financially sustainable.

Ms. McDonald states that all the City fire suppression employees will be transferred to County Fire but none will be placed above the level of captain. Dispatch, employees will be transferred to CONFIRE, a joint powers authority providing regional dispatching services. In order to memorialize those actions, staff is recommending that the Commission include a condition in its approval addressing this requirement, as detailed in the staff report.

Ms. McDonald states that throughout the review process for annexation, the bankruptcy proceedings, and the RFP process, the Firefighters Union has been represented in discussions and that the updated Action Plan outlines the process. She states that on January 4, 2016, LAFCO staff received a letter from the City Attorney outlining existing and continuing litigation between the City and the Fire Union related to the "contracting" or outsourcing of the fire responsibilities. She states that LAFCO 3198 is not a contract but a jurisdictional change transferring permanently, without contractual right of termination, the responsibilities for fire protection and emergency medical response along with the

employees for suppression, prevention, administrative and dispatch and that it will not have an impact on the ongoing litigation between the Fire Union and the City.

Ms. McDonald states that included in the conditions for the transfer of employees is that the City is to obtain a workers' compensation tailing insurance policy covering all worker compensation claims of all City fire suppression personnel and other city employees transitioning to County Fire and/or CONFIRE upon the effective date of the reorganization; a condition has been included that the City shall retain the obligations for unfunded retirement obligations, and any contractual benefit following retirement such as health insurance maintenance or payment for all suppression and other City employees transitioning to County Fire and/or CONFIRE.

Ms. McDonald states that for facilities transfer, the City will transfer ten fire stations, its fleet facility, its fire vehicles, excluding the 1948 Seagrave parade engine, and all appurtenant equipment to those facilities to County Fire Valley Service Zone in an "as is" condition. She states that the City will not transfer Station 223, located on Medical Center Drive, and Station 230, located on South Arrowhead, as both are currently shuttered and not operating as fire stations. She reviews a map and listing of the station facilities. She states that as a condition of approval the quitclaim deeds shall be prepared by the City Manager's office to be filed upon the effective date of the change with a copy provided to LAFCO; and that CONFIRE shall accept all dispatch related equipment transferred from the City in an as is condition.

Ms. McDonald states that for financial effects, it is important to understand the financial position of the City's fire operation. She states that the City provided unaudited year end totals from Urban Futures, the City's financial consultant for the past several years. She reviews the revenues on the overhead and states that the finance materials received on December 15, 2015 shows a picture of continuing cuts to City Fire Department operations, significant debt obligation for the City's fire operations, and the need for use of the entire proceeds of the general ad valorem property tax and all the proceeds of the Motor Vehicle License fee property tax swap revenues. She states that a condition of approval shall be that the debt obligations of the transferring City fire department shall be either paid in full prior to the issuance of the Certificate of Completion or assigned to the Successor District. She states that the debt obligations relate to the City's leaseback financing with the California Infrastructure and Economic Development Bank (to be paid in full) and the lease through WESTNET (to be paid in full).

Ms. McDonald states that the Plan for Service and Fiscal Impact Analysis (hereafter shown as "FIA") identify that the annexation will provide for the continuation of service at current levels and it also estimates that the transition to County Fire will result in a reduction in response times through a consolidation of dispatch operations with CONFIRE.

Ms. McDonald reviews the expenditures and revenues as noted in the staff report and states that FIA identifies the suppression, prevention and administrative personnel costs for the five years following the transfer to County Fire and brings the anticipated projected expenditures for the first five years of operation to increase more than $2,000,000 above the City cost for the preceding fire year period. She states LAFCO staff believes that the

expenditures identified in the FIA reflect the anticipated costs for the operation and the maintenance of the level of service previously provided by the City and, in those instances identified, increase the service.

Ms. McDonald states that during the processing of the proposal, it was determined that the property tax receipts for the City are comprised of general ad valorem taxes and property tax in lieu of motor vehicle license fees (hereafter shown as "VLF Swap revenues"); the ad valorem taxes can be transferred directly as part of the negotiation process, however, the VLF Swap revenues cannot be transferred to a special district. She states that in order to provide for the level of funding necessary to sustain the operations being transferred to County Fire, a contractual agreement is required between the City, the Valley Service Zone of SBCFPD and the County Auditor-Controller specifying that 35% of the property tax proceeds from the swap of Motor Vehicle License Fees will be directed to the Valley Service Zone for the fire operation delivered to the City, which is included as a condition of approval.

Ms. McDonald states that staff learned in December that a provision of the Joint Powers Agreement for the Inland Valley Development Authority (hereafter shown as "IVDA") does not allow for the property tax base and increment portion of the ad valorem taxes allocation to the City within its territory to be transferred to County Fire. To address this issue it has been determined that a contractual arrangement be entered into to provide a sum equivalent to the property tax, increment, and pass through funding that would have been transferred to County Fire by a property tax exchange be derived from VLF Swap revenues. Therefore, staff is recommending a condition of approval, to be completed prior to issuance of the Certificate of Completion, that reflects the agreements between the County Administrative Office, County Fire, and the City of San Bernardino for these contractual transfers within the IVDA area as reviewed on the overhead maps and detailed in the staff report. This requirement provides for the determination that the bond financing of IVDA will not be impaired by the approval of LAFCO 3198. Ms. McDonald states that IVDA has asked for changes to the LAFCO resolution and notes that this request has been reviewed with LAFCO Legal Counsel and staff is recommending that the request for changes to condition 13 is not appropriate and is not recommended and that the request for change to section 2 determinations, number 13, will be incorporated, as noted in the additional materials provided to the Commission.

Ms. McDonald reviews the map of the Verdemont Fire Station service area and states that Community Facilities District #1033 (hereafter "CFD #1033") was formed by the City in 2004 and that a special tax was provided for funding to build, equip and man the Verdemont Fire Station and defines the standards of service that were to be met. She reviews the map that identifies the actual parcels paying the annual special tax provided by the City and states that only a limited number of parcels within the service area pay the special tax. She states that staff questioned why only certain parcels were being taxed; however, the City was not able to provide an explanation of the number of tracts paying and not currently paying based upon development timing. She states that due to the issues involved with the administration of CFD #1033, which is to be transferred to County Fire for further administration and the component of the reorganization proposal to include a per parcel charge for funding fire protection, staff is proposing a condition of approval to

transfer CFD #1033 for administration by the Valley Service Zone of SBCFPD but only for the office, retail, commercial and industrial parcels currently assessed and those which will be developed in the future.

Ms. McDonald reviews the map of the unincorporated islands and states that these areas are within the Valley Service Zone and Service PM-2 which provide revenues to the SBCFPD for administration and service estimated to be $1,226,050 annually which will also be available for use in support the fire protection and emergency medical response within the overall San Bernardino community.

Ms. McDonald states that as part of the reorganization process, staff has reviewed the existing contracts which have been entered into between the City on behalf of its Fire Department regarding such matters as mutual aid, joint powers authorities, and the provision of a range of out-sourced services. She states that as part of the reorganization, a determination regarding the termination of contracts is no longer needed and the transfer of the continuing contracts must be made; staff is proposing the inclusion of a condition to reflect those determinations as listed in the staff report.

Ms. McDonald states that for environmental considerations, the Commission is the lead agency for the review of the potential environmental consequences of the reorganization and that the Commission's Environmental Consultant has reviewed the materials and has recommended that the reorganization is statutorily exempt from CEQA, based on the fact that the reorganization will transfer delivery of fire protection and emergency medical response from one entity to another which will not result in any physical impacts on the environment.

Ms. McDonald states that staff was required to notify all the landowners in the City of the proposed reorganization and the potential tax increase. She states that staff mailed 42,783 individual notices to the landowners in the affected reorganization territory, in addition to the publication of a legal notice in *The Sun*. She states that over the last three weeks staff has fielded approximately 100 phone calls from landowners requesting additional information and that the specific areas of concern generally included a desire to maintain the City Fire Department through the City reprioritizing expenditures; objection to the imposition of a special tax; a belief that the City's financial hardships are being solved through the taxation of its residents; and requests for additional clarification needed as to why residents do not have the opportunity to vote on the imposition of a special tax. She states that copies of the comment letters received have been included as attachments to the staff report. Ms. McDonald states that with regard to the increase to landowner property tax, all provision of Government Code Section 56125 have been met and that the provisions of the Government Code determines that there is no requirement to conduct an election to vote on the increase in property tax as part of the annexation process since it is the extension of an existing tax and there is the opportunity to protest the entire reorganization proposal. Ms. McDonald states that one of the comment letters received suggests that the City could subsidize funding for the Fire Department using block grants, however, she states that grant funding is not a long-term, sustainable, guaranteed stream of funding.

Ms. McDonald states that the tragic events of December 2, 2016 have shown that fire protection and emergency medical response are key for the health and safety of any community and that staff has worked diligently to ensure that a plan for adequate fire protection and emergency medical response is available to the residents of the City of San Bernardino. Ms. McDonald states that at the present time the City of San Bernardino is both service insolvent and budget insolvent related to its fire operations and cannot continue to fund adequate levels of emergency services for it residents over the long-term. She states that staff has compiled the best possible solution for the City of San Bernardino, given the City's current financial situation and that with the transfer of the responsibility of fire protection and emergency medical response services, the City can use the monies saved to address other service deficiencies that currently exist such as police protection, roads, parks or even streetlighting.

Chairman Curatalo thanks staff for their work on this proposal and asks the Commission for comments and questions.

Commissioner McCallon states that the proposal before the Commission is a difficult and multi-faceted issue and that staff has done an excellent job in preparing a clear and concise staff report.

Executive Officer Kathleen Rollings-McDonald reviews the recommendations as listed in the staff report, including that the conditions of approval must be met prior to the issuance of the Certificate of Completion and states that the Commission will need to make a motion, a second, and roll call vote on each item, beginning with LAFCO 3197 (sphere expansion) followed by a determination on LAFCO 3198.

Commissioner Bagley asks what will happen to the two stations that are not going to be transferred to County Fire. Ms. McDonald states that the City does not own the station on Arrowhead, so it will go back to the owner and that the station on Medical Center Drive is shuttered and is not needed, as the area that the station would provide service for is to be covered by an existing County Fire station located in the Muscoy community.

Commissioner Bagley states that there are some numbers that do not make sense in the unaudited budget provided and that there is a spike in the amount of services and supplies. He says that these are things that raise a red flag and that perhaps the City can answer to these number increases.

Commissioner Bagley asks what percentage of the property tax transfer is represented in the total property tax allocation; Ms. McDonald states that it is all of the City's share of the general ad valorem supplemented with motor vehicle in lieu tax swap funds.

Commissioner Bagley states that he has a concern over the vehicle license fee as it is a very volatile funding source and asks if there are currently any vehicle license fee's being transferred to County Fire. Ms. McDonald states it is not transferable to a special district. Commissioner Bagley expresses his concern over the viability of funding for the provision of fire services.

Commissioner Bagley asks that with regard to IVDA, what is the long-range vision for Fire Service. He states that for the Verdemont station, the financing is complicated and that he does not want to pass on a problematic financing issue to a successor agency. He states that he is not familiar with the tribal land contracting and asks for clarification. Ms. McDonald states that the tribal land contracts are separate and apart from the City; they will transfer to County Fire; the payment made was through the conclusion of the contract, June 30, 2017, and the approximate fund balance will transfer; and that there was a payment from the tribe for the purchase of an engine which will also transfer to County Fire.

Commissioner Cox states that the proposal is a troubling one and that she strongly supports the exemption proposed for the CFD #1033. She states that County Fire is a fine organization and that they will serve the City well. She states her concern over encumbering the citizens of the City with an irrevocable tax that is a direct result of irresponsible decisions made by their elected officials. She asks staff and County Fire why Service Zone FP-5 was selected for this proposal. She states her concern over the imposition of a tax without the ability to vote as allowed in Proposition 218 and states that FP-5 increases by 3% every year. She states that there should be transparency in the monies that are being used to fund Service Zone FP-5 and that County Fire should be sure the funds are allocated appropriately and that an open dialog with the residents occur to show how their tax money is being spent. She asks staff if there is any other option for the City other than the transfer of responsibility to County Fire. Ms. McDonald states that the financial reports indicate that the City cannot sustain the Fire Department and that the City made their decision to remove the responsibility of Fire Service, and that given that the City is still in bankruptcy, there are no viable alternatives.

Commissioner Cox asks for the clarification of the Commission's Protest Process. Ms. McDonald states that every landowner will receive an individual protest notice and that the landowners and registered voters will have an opportunity to protest and that the ability to vote is available should the protest threshold be achieved.

Commissioner Cox states that in conclusion, the citizens of San Bernardino will be well served by County Fire.

Commissioner Williams asks for clarification of the special tax. Ms. McDonald states that the FIA shows a 3% increase for the lands within the City, and that no other change in the property tax will occur, except for that which is statutory; for those properties in the community facilities district, their property tax would decrease for residential properties, and all residential properties will be paying the same amount in property tax. Commissioner Williams asks if all the residents are currently being taxed for fire service. Ms. McDonald states that the residents currently do not pay a separate tax for fire service, with the exception of CFD #1033. Commissioner Williams states that she is a supporter of the Proposition 218 process.

Commissioner Farrell asks for clarification of the exception that has been discussed; Ms. McDonald states that the annexation to Service Zone FP-5 is what has been discussed. Commissioner Farrell asks for clarification on the comments from IVDA regarding their concerned outlined. Ms. McDonald clarifies. Commissioner Farrell asks what will happen if

the conditions are not met. Ms. McDonald states that all the conditions must be met and that staff will be working with those involved to to be sure they are since the Certificate of Completion cannot be issued and the reorganization will not be effective until they are completed. Ms. McDonald notes that the change of organization must be completed prior to August 8th in order for the special tax to be placed on the tax roll.

Commissioner Warren states that as local elected officials they are charged with keeping the community safe. She states that the tragic events of December 2nd show how important it is to keep the public safe and how important the emergency service departments are to the community. She states that Proposition 218 is important to her but that the City has a hard decision to make and that given the situation, they have made the best decision for their constituents.

Chairman Curatalo states that these decisions affect the residents, workers, and visitors of the City and that public safety is very important. Chairman Curatalo calls for presentation by the proponents.

Mayor Cary Davis, City of San Bernardino, states that the City would like to thank staff for their work on the proposal. He states that he, the City Attorney and the City Manager are in support of the reorganization and that they are working together to see the annexation come to fruition and that they feel that the decision is in the best interests of the residents of the City and for the future of the City.

San Bernardino City Attorney Gary Saenz thanks staff for their work on the proposal and states that the City has been working on a recovery plan, a plan of adjustment to get the City back in a positive fiscal shape and to increase the service of public safety, specifically police services. He states that he is in support of the annexation.

Andy Belknap, Management Partners consultant for the City, states that the City has been going through a transition from bankruptcy to sustainability; the transfer of the responsibility of fire services will allow the City to become sustainable and will allow for savings that can be used to improve other services such as police and street services.

Commissioner Bagley asks about the unfunded pension liabilities and the pension debt. Mr. Belknap states that the City has taken steps to reduce the unfunded liability and that the City will honor the existing debt for the pensions for the Fire Department employees and will continue to pay it.

Chairman Curatalo states that this decision will have an effect on the police as well. Mr. Belknap states that the City believes that with the removal of the responsibility for fire service, there will be an immediate ability to enhance the police services in the City and that the transfer of dispatch will help decrease the response times.

Chief Mark Hartwig, San Bernardino County Fire Protection District, thanks LAFCO, City, County Fire and the CAO's staff for their hard work on the proposal. He states that partnership is important to County Fire; he states that accountably is also very important to County Fire. He states that the City Fire Department has a long history and tradition and

County Fire has a lot of respect for what they have accomplished in the past 134 years. He shows on the overhead map the County Fire and CONFIRE resources and shows the major fire facilities and offices. He states that County Fire has developed 10 special tax areas identified as FP for fire protection or PM for paramedic services; those are areas that have been voted on by the people to provide enhanced services. It was determined that FP-5 best fit the financial need of the City.

Commissioner Cox asks if FP-5 was selected due to the tax amount. Chief Hartwig replies that it was chosen as the special tax definition and amount which best fit the needs of the City.

Commissioner Bagley states the unaudited financial report shows a large change in labor costs. He says that the equipment being transferred will be received in an as is condition; he asks if all the equipment has been reviewed. Chief Hartwig states that all equipment has been reviewed and that County Fire is aware and has discussed all the details regarding the transfer of equipment and that they are comfortable with what has been presented in the staff report. Chairman Curatalo clarifies that equipment includes apparatus, fire engines and fire trucks.

The Commission takes a recess from 11:20 a.m. to 11:38 a.m.

Chairman Curatalo calls for comments from the public.

Tom Hannenman, Acting Fire Chief, San Bernardino City Fire Department, states that he is proud to be a part of the City Fire Department and thanks County Fire for their work in the transition of responsibilities. He expresses his support for the annexation.

John Marini, Representative of the Firefighters Local 891 representing the City of San Bernardino, reads into the record a statement from the Firefighters Union defining its support for the annexation. He says as a fire fighter and a father, he would also like to add his support for the annexation.

Michael Burrows, Executive Director, IVDA, commends LAFCO staff, the County Staff and the City Staff for their work on this proposal. He states that IVDA has worked with both organizations in the past and that they are in support of the reorganization. He states the comments on the resolution are to secure the bond debt and that in response to questions from the Commission; that the airport has an existing contract for the airport fire station as a lease from the City and the City provides on call services. He states that County Fire is more than capable to continue to provide these services. Commissioner Bagley asks about IVDA's revenue source for the funding of the fire service. Mr. Burrows states that there is no cost; IVDA provides the equipment, the City provides the staff on an on-call basis.

Augustus Suiter, Property Owner, states his concern over the lack of basic services provided by the City.

Gary Saenz, Property Owner, states he is in support of the annexation and that he considers the increase in his property tax as an investment in the City and that the increase in public safety will help increase property values.

Stewart Cumming states that the report does not list response time for emergencies. He states that the City has mismanaged the City finances and that he does not approve of a tax without representation.

Karmel Roe states that she opposes the annexation and that there are financial options through block grants. She asks that the Commission grant an extension to the protest period to 45-days.

Sandra Ibarra, Property Owner, states that she is in opposition to the annexation and the the tax increase and asks that the protest period be extended to 45-days.

Arthur Davis, San Bernardino resident, states that he is in opposition to the increase to the property tax and that the City is underserving the area in zip code 92408.

Dan Carlone, San Bernardino resident, states that he supports the special tax increase and the reorganization.

Scott Olson, San Bernardino resident, states that he is in opposition to the increased tax and that the boundaries of FP-5 do not meet the City boundaries. He also says that information regarding what the County residents will be paying for fire service has not been provided.

Stephan Rogers, Redlands resident, states that there should be other alternatives and that the removal of City fire services should not happen unless the City is being dissolved. He says that Gateway also responded to the City's RFP and states that the information was not given as to whether they also proposed an increase in tax.

Clementina Pena, Property Owner, states that the City has not been clear as to where the property tax monies have been allocated in the past. She states that she is in opposition to the tax increase and that the City should allow the citizens of the City to determine where the tax monies are spent and asks for a 45-day protest period.

Kathy Malan, San Bernardino resident, states that the original request was for a contract that soon became an annexation. She is in opposition to the increase in property tax and questions the choice to annex to FP-5. She states the proposal should be put before the voters

Jim Morris, San Bernardino resident, states that the citizens of San Bernardino have suffered under poor leadership and have asked for change; as part of the new leadership group, as demanded by the citizens, they are making change and the reorganization is a part of the change. He states that this will help the City in its path to recovery. He states that he is in support of the annexation.

Harry Donaldson Jr., property owner, states that she is in opposition of the property tax and that it will be a financial hardship for many citizens.

Anthony Serrano, San Bernardino resident, states that the tragic events of December 2 happened in his neighborhood. He states that the issues regarding Mello Roos financial reporting needs to be addressed and that he is in opposition to the proposal.

Joe Arnet, San Bernardino resident, states the comparisons between Helendale and the City of San Bernardino are not equal; he states that the City is avoiding the creation of a zone that would be specific to the City so that it does not go to the citizens for a vote. He is in opposition to the proposal and the increase in tax and asks that the issue go to the public for a vote, that the Commission provide the public with the protest form, and asks for an extension of the protest period.

Chairman Curatalo calls for further testimony; there being none, closes the public hearing.

Executive Officer McDonald explains the Commission's protest process and the value of the protests and states that a link is provided to the protest petitions on the LAFCO website.

Chairman Curatalo asks what the effect will be in the future if the proposal is stopped by protest; to which Ms. McDonald replies that the fire protection and emergency medical response services will deteriorate if the reorganization and special tax imposition are not successful.

Commissioner Cox states her concern over the imposition of the increase in tax through FP-5 and asks Legal Counsel to clarify. Mr. Clark Alsop, LAFCO Legal Counsel, states that FP-5 is a service zone of County Fire with a special tax; that the decision in Citizen's Association of Sunset Beach vs Orange County Local Agency Formation Commission sets the precedent in the appellate court that the extension of an existing special tax does not require a 218 process; and the State Attorney General also issued a legal opinion along the same lines.

Commissioner Cox asks if the Commission can grant a 45-day protest period; to which Ms. McDonald states that the Commission can grant the longer protest period if they so desire and that it will still allow for the completion by the July 1, 2016 date.

Commissioner McCallon states that the most important thing that a city does is to provide public safety services, that the citizens have a right to be angry and the citizens also need to take responsibility for some of the issues that have been created by those that the citizens put into public office. He states that in Highland, where he is Mayor, the City provides public service in the amount that the residents are willing to pay for. He states that the County should keep a transparent financial account of the tax monies so that everyone is clear how the monies are being spent for fire service. He commends the City for cooperating in a solution to the issues. He states that he is a believer of Proposition 218, however, he is in support of staff recommendations.

Commissioner Farrell states that he sympathetic with the comments of the imposed tax and that he hopes that the City will be respectful of those who are burdened with the imposed tax and that in their recovery they will use monies from their own funds to help those who will struggle with the increased property tax imposition. He states that the citizens should hold their own council members responsible as well.

Commissioner Bagley states that if the City of San Bernardino recovers, the City can take back its fire responsibilities and gives an explanation of what LAFCO is charged to do. He states that the citizens should voice their concerns to the City Council. He says that LAFCO is charged with monitoring municipal services and ensuring public safety; he states that there are major management issues in the City still. He states that he is support of staff's recommendations

Commissioner Williams states that she does not like to impose a tax that is not voted on, however, the City is in a crisis and that the decision has come to the Commission as a result of that crisis. She is in support of expanding the protest hearing to 45-days and states that it is the citizen's right to demand transparency from their elected officials, and the citizens need to use their right via the ballot box. She states that the City is also responsible for the mismanagement of the City's funds. She states that she is in support of the staff recommendation.

Chairman Curatalo calls for further comments. There being none, he closes the discussion and calls for a motion.

Executive Officer Kathleen Rollings-McDonald reviews the recommendations for LAFCO 3197 as noted in the staff report.

Commissioner Cox asks if there is an environmental requirement to separately evaluate the disadvantaged communities. Tom Dodson, LAFCO's environmental consultant states that there is not.

Commissioner Bagley moves approval of staff recommendation for LAFCO 3197, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, McCallon, Williams. Noes: None. Abstain: None. Absent: Lovingood, Ramos.

Executive Officer Kathleen Rollings-McDonald reviews the recommendation for LAFCO 3198 as noted in the staff report with the modification to extend the protest period to 45 days.

Commissioner Bagley moves approval of the recommendation for LAFCO 3198, as modified, second by Commissioner Cox. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, McCallon, Williams. Noes: None. Abstain: None. Absent: Lovingood, Ramos.

The Commission takes a recess from 1:06 p.m. to 1:10 p.m.

Chairman Curatalo reconvenes the Commission Hearing at 1:10 p.m.

DISCUSSION ITEMS:

ITEM 8. MID-YEAR BUDGET REVIEW FOR FISCAL YEAR 2015-16:

- **FINANCIAL REPORT FOR PERIOD JULY 1 THROUGH DECEMBER 31, 2015**
- **AUTHORIZATION OF FUND TRANSFER TO ADDRESS INCREASED REVENUES AND EXPENDITURES DUE TO INCREASED PROPOSAL ACTIVITY**
- **ACKNOWLEDGE COUNTY EXEMPT COMPENSATION PLAN AMENDMENTS APPROVED ON DECEMBER 15, 2015 TO INCLUDE A ONE PERCENT (1.0%) ACROSS THE BOARD SALARY INCREASE RETROACTIVE TO JANUARY 9, 2016**
- **APPROVE AMENDMENTS TO POLICY AND PROCEDURE MANUAL SECTION III HUMAN RESOURCES, CHAPTER 2 EMPLOYMENT TO REFLECT COUNTY EXEMPT COMPENSATION PLAN CHANGES**

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

Ms. McDonald reviews staff recommendations as noted in the staff report and asks that the Commission authorize the budget adjustments; approve amendments to the LAFCO Policy and Procedure Manual related to staff compensation; and approve resolution 3210 as listed in the staff report.

Chairman Curatalo calls for comments. There are none.

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

INFORMATION ITEMS:

ITEM 9 LEGISLATIVE UPDATE REPORT

Executive Officer Kathleen Rollings-McDonald provides an oral legislative report update and states that CALAFCO is looking into the JPA legislation and that Senators Pavaley and Wieckowski are looking at legislation for fixes to last year's SB88, the consolidation of water providers and that there is ongoing dialog on this issue.

ITEM 10 EXECUTIVE OFFICER'S ORAL REPORT:

Executive Officer Kathleen Rollings-McDonald states that the Fiscal Indicators has been updated through 2014 and it has been posted on the LAFCO Website. She states that the second Governance Training has been completed and was well attended and received. She states that the final training will be via a webinar and that it will conclude the training sessions for the year.

ITEM 11 COMMISSIONER COMMENTS

Commissioner Warren states that she is proud to serve and that there is a need to look at government infrastructure.

Commissioner Bagley commends staff for their leadership in the processing of the City of San Bernardino's application.

Commissioner Cox states that she is glad that the Commission has been indemnified in this process.

Chairman Curatalo thanks staff for presenting a comprehensive report and thanks the Commission for their active participation in the discussions.

ITEM 12 COMMENTS FROM THE PUBLIC

Stephen Rogers, member of the public, states that he has concerns regarding charging the citizens with the responsibility for the actions proposed by the City of San Bernardino and states that he is also concerned with whether the LAFCO rules are being followed.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION THE HEARING IS ADJOURNED AT 1:21 P.M.

ATTEST:

_____

REBECCA LOWERY
Clerk to the Commission

LOCAL AGENCY FORMATION COMMISSION

_____

JAMES CURATALO, Chairman

DRAFT

LOCAL AGENCY FORMATION COMMISSION
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DATE: **FEBRUARY 9, 2016**

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 January 2016 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 December 23, 2015 through January 22, 2016.

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

KRM/rcl

Attachment

COUNTY OF SAN BERNARDINO
PROCUREMENT CARD PROGRAM

MONTHLY PROCUREMENT CARD PURCHASE REPORT

Card Number	Cardholder	Billing Period
[redacted]	Kathleen Rollings-McDonald	12/23/15 to 1/22/16

Date	Vendor Name	Receipt/ Invoice No.	Item Description	Purpose	$ Amount	Reconciled (R) Disputed (D)	Sales Tax Included on invoice (Yes or No)
12-10	Verizon	1	Payment	Phone line for MBPS CIRCUIT	929.29	R	Y

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

Cardholder (Print & Sign)	Date
Kathleen Rollings-McDonald	2/9/16

Approving Official (Print & Sign)	Date
James Curatalo, Chairman	2/17/16

REV. 09/07

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DATE : **FEBRUARY 9, 2016**

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

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **AGENDA ITEM #3 - RATIFY PAYMENTS AS RECONCILED FOR MONTH OF JANUARY 2016 AND NOTE REVENUE RECEIPTS**

RECOMMENDATION:

Ratify payments as reconciled for the month of January 2016 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 December 1, 2015 through December 31, 2015.

Staff is recommending that the Commission ratify the payments for January 2016 outlined on the attached listings and note the revenues received.

KRM/rcl

Attachment

MONTHLY RECONCILIATION OF PAYMENTS

MONTH OF JANUARY 2016 PAYMENTS PROCESSED					
VOUCHER DOCUMENT ID	ACCOUNT	NAME	WARRANT NUMBER	WARRANT DATE	AMOUNT
PV8908484	2445	ROBERT J ALDRICH	3266984	1/12/2016	$ 3,000.00
PV8908485	2445	CITY OF SAN BERNARDINO	8775488	1/20/2016	$ 300.00
PV8908486	2905	INLAND EMPIRE PROPERTIES	3267922	1/20/2016	$ 4,353.41
PV8908487	2400	BEST BEST & KRIEGER	3267652	1/20/2016	$ 3,474.70
PV8908488	2405	WHITE NELSON DIEHL EVANS LLP	8775584	1/20/2016	$ 7,000.00
PV8908489	2424	TOM DODSON & ASSOCIATES	3267839	1/20/2016	$ 1,275.00
PV8908490	2445	ROBERT J ALDRICH	3267827	1/20/2016	$ 6,525.00
PV8908491	2424	TOM DODSON & ASSOCIATES	3267839	1/20/2016	$ 1,211.25
PV8908492	2445/2940	JIM BAGLEY	8775516	1/20/2016	$ 303.40
PV8908493	2445/2940	KIMBERLY COX	8775519	1/20/2016	$ 262.10
PV8908494	2445/2940	JAMES V CURATALO	8775514	1/20/2016	$ 228.75
PV8908495	2445/2940	STEVEN FARRELL	8775571	1/20/2016	$ 218.98
PV890849601	2445	ROBERT A LOVINGOOD	8772572	1/13/2016	$ 200.00
PV890849602	2445	JAMES C RAMOS	8772536	1/13/2016	$ 200.00
PV890849603	2445	LARRY MCCALLON	8772541	1/13/2016	$ 200.00
PV8908497	2445/2940	ACQUANETTA WARREN	8775462	1/20/2016	$ 218.40
PV8908498	2445/2940	DIANE WILLIAMS	8775497	1/20/2016	$ 229.90
TOTAL					**$ 29,200.89**
MONTH OF JANUARY 2016 INTERNAL TRANSFERS PROCESSED					
JVIB 06072037D	2037	DECEMBER 2015 PHONE		1/7/2016	$ 213.01
JVATXRT09603	2308	CAL-CARD PAYMENT - DECEMBER		1/12/2016	$ 2,268.59
JVPURRT09632	2310	1ST CLASS PRESORT- MAIL		1/15/2016	$ 91.06
JVPURRT09643	2310	INTER-OFFICE MAIL		1/20/2016	$ 168.00
JVPURRT09647	2310	PACKAGING - MAIL		1/20/2016	$ 391.54
JVPURRT09651	2310	PRESORT FLATS - MAIL		1/20/2016	$ 35.36
JVIB 06072410AB	2410	DECEMBER 2015 DATA PROC		1/7/2016	$ 2.04
JVIB 06072410AF	2410	DECEMBER 2015 DATA PROC		1/7/2016	$ 179.14
JVIB 06072410E	2410	DECEMBER 2015 DATA PROC		1/7/2016	$ 82.28
JVIB 06072410P	2410	DECEMBER 2015 DATA PROC		1/7/2016	$ 163.84
JVIB 06072410T	2410	DECEMBER 2015 DATA PROC		1/7/2016	$ 63.81
JVIB 06072410X	2410	DECEMBER 2015 DATA PROC		1/7/2016	$ 181.31
JVIB 06072420J	2420	DECEMBER 2015 ISD OTHER IT SERVICES		1/7/2016	$ 58.44
JVIB 06072421F	2421	DECEMBER 2015 ISD DIRECT		1/7/2016	$ 818.01
JV890RT10041	2424	NOE FOR LAFCO SC 40		1/21/2016	$ 50.00
JVIB 06072450B	2450	APPLICATION DEVELOPMENT		1/8/2016	$ 323.25
TOTAL					**$ 5,089.68**

MONTHLY RECONCILIATION OF PAYMENTS

MONTH OF JANUARY 2016 CASH RECEIPTS					
DEPOSIT DOCUMENT ID	**ACCOUNT**	**DESCRIPTION**		**DEPOSIT DATE**	**AMOUNT**
JVTZ RT160114051	8500	APPORTIONMENT INTEREST		1/22/2016	$ 1,766.84
CR890A08137	9660	ENVIRONMENTAL		1/8/2016	$ 50.00
CR890A08137	9800	LAFCO FEES		1/8/2016	$ 450.00
CR890A08794	9545	INDIVIDUAL NOTICE		1/22/2016	$ 700.00
CR890A08794	9555	LEGAL FEES		1/22/2016	$ 1,150.00
CR890A08794	9660	ENVIRONMENTAL		1/22/2016	$ 750.00
CR890A08794	9800	LAFCO FEES		1/8/2016	$ 5,500.00
CR890A08794	9930	MISCELLANEOUS		1/22/2016	$ 20.00
TOTAL					**$ 8,620.00**

MONTH OF JANUARY 2016 INTERNAL TRANSFERS RECEIVED					
TRANSFER DOCUMENT ID	**ACCOUNT**	**NAME**		**TRANSFER DATE**	**AMOUNT**
		NONE			$ -
TOTAL					**$ -**

Rebecca Lowery

REBECCA LOWERY, Clerk to the Commission — 2/9/2016 DATE

RECONCILIATION APPROVED BY:

Kathleen Rollings-McDonald

KATHLEEN ROLLINGS-McDONALD, Executive Officer — 2/9/2016 DATE

LOCAL AGENCY FORMATION COMMISSION
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DATE: **FEBRUARY 8, 2016**

FROM: **KATHLEEN ROLLINGS-McDONALD, Executive Officer**
SAMUEL MARTINEZ, Assistant Executive Officer

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **AGENDA ITEM #5 – LAFCO 3193 – Sphere of Influence Amendment (Expansion) for the Phelan Piñon Hills Community Services District**

INITIATED BY:

Resolution of the Board of Directors of the Phelan Piñon Hills Community Services District

RECOMMENDATION:

LAFCO staff recommends that the Commission approve LAFCO 3193 by taking the following actions:

1. Determine that the proposed sphere of influence amendment, submitted under the provisions of Government Code Section 56428, does not require a service review;

2. Certify that LAFCO 3193 is statutorily exempt from environmental review and direct the Executive Officer to file a Notice of Exemption within five (5) days;

3. Approve the sphere of influence expansion for the Phelan Piñon Hills Community Services District;

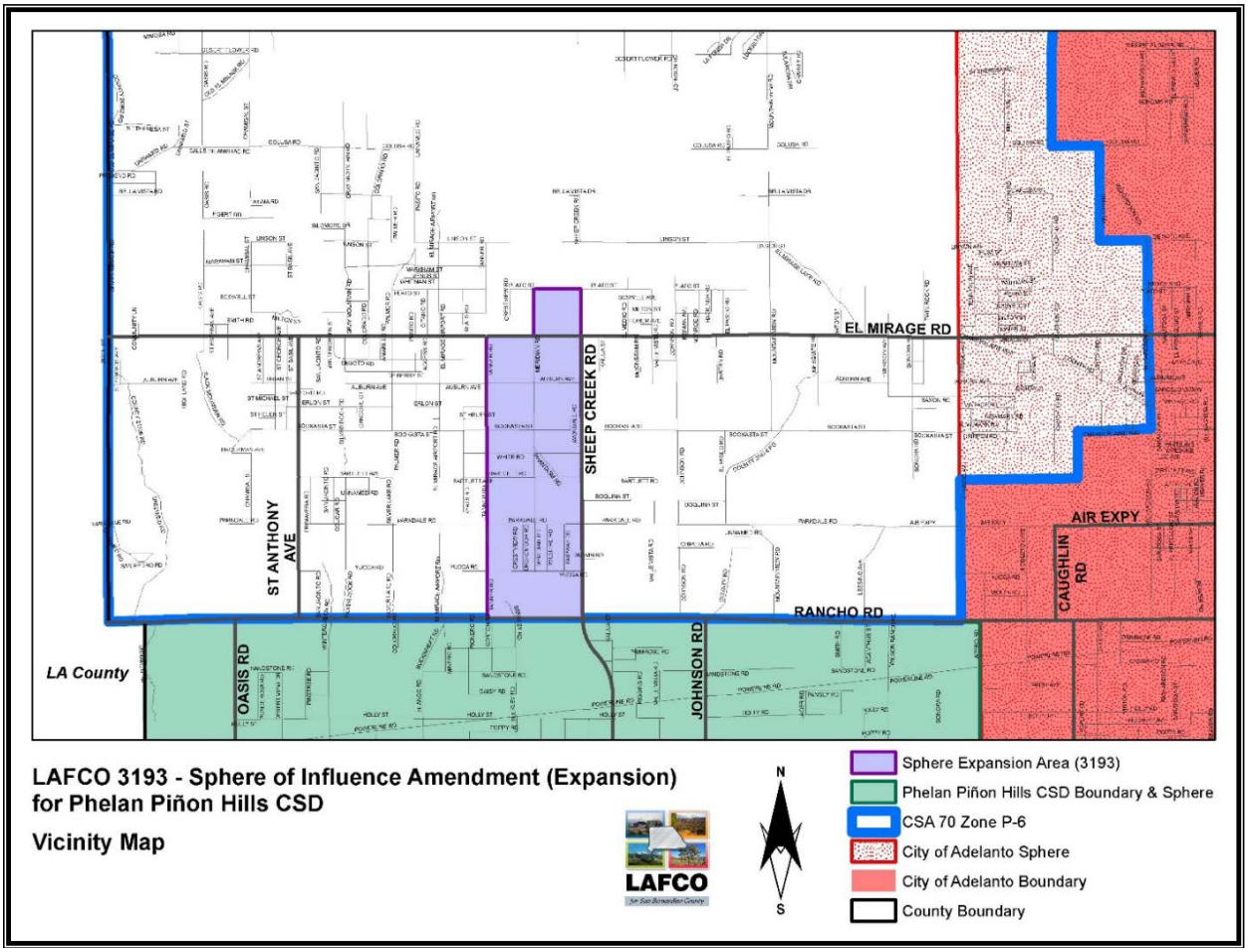
4. Affirm the description of the functions and services for the Phelan Piñon Hills Community Services District as identified in the *LAFCO Policy and Procedure Manual*; and,

5. Adopt LAFCO Resolution No. 3213 reflecting the Commission's determinations for LAFCO 3193.

BACKGROUND:

On April 1, 2015, the Board of Directors of the Phelan Piñon Hills Community Services District (hereafter shown as "PPHCSD" or "District") adopted Resolution No. 2015-11 initiating an application to expand its sphere of influence for the purpose of including District-owned properties into its sphere of influence, which is a requirement for annexation. A "sphere of influence" is defined as a planning boundary that designates an agency's probable future boundary and service area. Changing a sphere of influence does not change the actual jurisdictional boundary of an agency.

The sphere of influence expansion that the District is proposing not only includes the District-owned properties that are proposed for annexation, but rather, encompasses a much larger area that addresses a more comprehensive planning boundary. A map illustrating the proposed sphere of influence expansion is included as Attachment #1 to this report and shown below:



BOUNDARIES:

The sphere of influence expansion encompasses 2,078+/- acres, which is generally bordered by a combination of El Mirage Road, Meridian Road, and Plato Street on the north, Sheep Creek Road on the east, Rancho Road (existing PPHCSD boundary) on the south, and Tanner Road on the west. Location and vicinity maps are included as Attachment #1 to this report.

Discussion Related to Expansion into the El Mirage Community

This proposal is a consideration to expand the sphere of influence for the Phelan Piñon Hills Community Services District by 2,078+/- acres into an area that is generally considered a part of the community of El Mirage, a LAFCO defined community located north of the communities of Phelan and Piñon Hills, the communities currently served by the District. The El Mirage community is generally defined by the boundaries of two existing service providers: County Service Area 70 Zone P-6 for park and recreation and the San Bernardino County Fire Protection District Service Zone FP-3 for fire protection and emergency medical response.

A "sphere of influence" is defined as a planning boundary that designates an agency's probable future boundary and service area. Changing a sphere of influence does not change the actual jurisdictional boundary of an agency. The proposed sphere of influence amendment has been submitted by the District for the purpose of including the District-owned properties—including other properties located outside of District's boundary—into its sphere of influence, which is a requirement for annexation. LAFCO staff believes the proposed sphere of influence expansion is a reasonable sphere of influence amendment given that the District is obligated to plan to serve the areas that it is proposing to annex through its companion reorganization proposal (LAFCO 3194).

- Possible Alternative Sphere Expansion #1

  One option would be to expand the sphere of influence to include only the properties that the District are annexing. This option would be considered short sighted since the district would be obligated to serve the properties once they are annexed. If the only reason for annexing the District-owned properties is for tax purpose, then it would not necessarily need service. However, if for any reason the District needed to provide water service to the properties that it owns, it would have to run water mains along either Tanner and/or Sheep Creek Roads to get to its properties. Which is why looking at a more comprehensive approach to expand the sphere of influence makes a lot of sense from a planning perspective.

- Possible Alternative Sphere Expansion #2

  Another option would be to expand the sphere of influence to include the entirety of the community of El Mirage. This is a logical option that could address the service needs of the entire community. Given the water quality issues that the El Mirage community is experiencing and since there is no public entity that provides retail water service to the

area, the inclusion of the entire community into the District's sphere of influence would allow the District to provide long range planning for the entire community. However, this would be impractical since the District itself is not prepared to serve the entirety of El Mirage community.

One concern related to the potential inclusion of the entire community is the loss of community identity. However, this statement is not entirely valid since many communities already co-exist. One prime example is the District itself, which is comprised of two distinct communities—Phelan and Piñon Hills. The City of Rancho Cucamonga is still identified by some through its underlying communities – Alta Loma, Etiwanda, and Cucamonga.

In the future, if the direction is to serve the rest of the El Mirage community, the District should begin its dialogue with the community to plan to serve the whole of El Mirage.

The two alternatives may be available solutions to expand the sphere of influence for the District in order to move forward with its companion reorganization proposal; however, LAFCO staff believes that the sphere of influence expansion as originally proposed provides for a logical sphere boundary that would allow the District to plan to serve the area between Tanner and Sheep Creek Roads, a reasonable area that are the access points that would connect the District with the properties that it acquired north and south of El Mirage Road.

SERVICE REVIEW DETERMINATION:

It is the staff's positions that a sphere of influence "amendment" does not require that a service review be conducted pursuant to Government Code Section 56430 as this section reads in part, "In order to prepare and to update spheres of influence in accordance with 56425, the commission shall conduct a service review…" LAFCO 3193 is a sphere of influence amendment pursuant to Government Code Section 56428. In addition, the Commission's policy that would require a service review for an amendment to a retail water district's sphere of influence does not apply in this case:

1) The area being considered for sphere of influence amendment is within the sphere of influence (and in this case the actual boundary) of the Mojave Water Agency, which is the wholesale water provider for the region; and,

2) No objection has been received from any agency that provides water service whose sphere of influence is within or adjacent to the subject area.

Therefore, staff is recommending that the Commission determine that LAFCO 3193 does not require a service review.

SPHERE OF INFLUENCE FACTORS OF CONSIDERATION:

The balance of this report provides staff's responses to the "factors of consideration" required by State law for sphere of influence amendment proposals as outlined in Government Code Section 56425.

1. The Present and Planned Land Uses in the area

The District's current sphere of influence is coterminous with its boundaries. Ninety percent of the area is designated Rural Living (which is reflective of its rural atmosphere), four percent Single Residential, and the remainder of the land uses comprise six percent of the total area designated for Multiple Residential, Special Development (Residential/Commercial), Commercial, Resource Conservation, Industrial, and Institutional.

The existing uses within the sphere of influence expansion area include a mix of a non-operating dairy farm, field crops, heavy industrial development, and primarily vacant land. There is also an existing horse stable and a well site within the area. The land uses that the County has assigned for the sphere expansion area include 480 acres designated AG (Agriculture), 838 acres designated RL (Rural Living, one unit per 2.5 acres), 640 acres designated RL-5 (Rural Living, one unit per 5 acres), and 120 acres IR (Regional Industrial).

The District recently built a solar facility in one of the parcels it currently owns within the sphere expansion area, which is expected to save the District almost $14 Million in electricity costs over the next 30 year. This is the only development that has occurred and there are no immediate plans to develop the rest of the properties that the District acquired. Likewise, no significant change is expected to occur for the rest of the sphere expansion area within the next five years.

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

Currently, the District is authorized by LAFCO to provide water, streetlights, solid waste and recycling, and park and recreation functions and services. Other services provided by regional service providers are fire protection and emergency medical response services provided by the San Bernardino County Fire Protection District, its North Desert Service Zone, and its Service Zone FP-3; wholesale water service by the Mojave Water Agency (State Water Project Contractor for the area); and the Mojave Desert Resource Conservation District overlays the entirety of the area. In addition, the area is overlain by County Service Area 70 (multiple function agency, unincorporated County), Zone P-6 of County Service Area 70 (parks), and County Service Area 60 (Apple Valley Airport).

The sphere of influence expansion area is overlain by the same regional service providers. In addition, within the sphere expansion area, parks and recreation services are currently provided by County Service Area 70 Zone P-6 and solid waste and recycling services by Burrtec under contract with the County.

There are 57 parcels within the sphere of influence expansion area. The need for public facilities and services within the area will vary with the type of land use that is assigned to each parcel and the type of development proposed in the future. However, there are no development plans anticipated at this time.

3. The present capacity of public facilities and adequacy of public services that the agency provides

The District is currently authorized to provide water, streetlights, solid waste and recycling, and park and recreation.

Water

The District provides water to around 6,800 service connections. The District's water distribution system consists of approximately 353 miles of pipelines ranging from 4-inch to 16-inch in diameter. The District obtains its water supply from the local groundwater aquifer through the use of 11 active wells in six well fields that pump directly into the distribution system or into storage reservoirs. The District maintains 35 storage tanks ranging from 1.0 million gallon (MG) to 0.04 MG with a total capacity of 12 MG.

Also, it should be noted that within the core of the District lies the Sheep Creek Mutual Water Company, a shareholder owned water utility, serving approximately 10 square miles. The Water Company currently provides for its water from surface flows and other sources.

The District has interties with the Sheep Creek Mutual Water Company, the City of Victorville, and San Bernardino County CSA 70 Zone J (Oak Hills area). These interties are typically only used during short-term emergencies or during planned shutdowns of a primary source, not during normal operating conditions when regular supplies are available.

The District is within the Alto and Oeste sub-regions of the Mojave Groundwater Basin. The District has water production rights of 1,416 acre-feet (AF) in the Oeste sub-basin. The recently acquired water rights from the dairy farm adds another 2,335 AF bringing the total to 3,751 AF, which is now higher than the historical demand of approximately 2,725 AF. The District also has water production rights of 355 AF in the Alto Sub-basin.

Properties within the sphere of influence expansion area generally rely on underground water wells. Water service from the District is not anticipated to be extended to the sphere expansion area in the near future; however, if the need arises, the cost to extend water service will be the responsibility of the property owners/developer.

Streetlighting

The District succeeded to the streetlights previously operated by the former County Service Area 9. It should be noted that the area of Phelan/Piñon Hills is a part of the County's Night Sky Ordinance, which limits the introduction of new streetlights in the area except to address safety issues. The District's streetlighting service is primarily located in the business district of Phelan with some at strategic intersections within the District for safety needs.

There are no streetlights within the sphere of influence expansion area because most of the properties are primarily vacant. No streetlighting service is anticipated to be installed anytime soon; however, if the need arises, the cost to install streetlights will be the responsibility of the property owners/developer.

Solid Waste and Recycling

The District administers solid waste and recycling programs. The solid waste and recycling services are contracted with CR&R Waste and Recycling Services (CR&R). The District works closely with CR&R to coordinate various programs and provide a variety of recycling events within the community.

The sphere of influence expansion area is currently served by the San Bernardino County through its Solid Waste Management Division under contract with AVCO/Burrtec for solid waste disposal services.

Park and Recreation

The District operates two community centers with associated park facilities utilized by the entire community, the district provides for recreation activities at these facilities such as the Phelan Farmers Market (weekly event) and the Senior Lunch Program (twice a month). The District has been improving its park operations, provided additional training for staff, and worked with school officials and local sporting associations for other recreation programs to meet community needs.

The sphere of influence expansion area is within the boundaries of County Service Area 70 P-6 that operates a community park and community/senior center on an approximate 4.25 acre parcel. The park contains a baseball field, basketball court, playground, picnic areas, and an open grass area.

This sphere of influence amendment application will allow for the delivery of water, streetlights, solid waste and recycling, and park and recreation services. However, no increase in service is anticipated through the completion of this sphere of influence expansion or its corresponding annexation proposal since no development is anticipated in at least the next five years.

4. The existence of any social or economic communities of interest

The District currently serves the communities of Phelan and Piñon Hills.

The sphere of influence expansion area is within the community identified as El Mirage. This community extends west of the City of Adelanto to the westerly County line north of the communities of Phelan and Piñon Hills. The El Mirage community is also generally defined by the service entities of County Service Area 70 Zone P-6 (for park and recreation) and the San Bernardino County Fire Protection District Service Zone FP-3 (for fire protection and emergency medical response). The community is generally associated with the El Mirage Off-Highway Vehicle Area which is managed by the Bureau of Land Management.

Functions and Services for the Phelan Piñon Hills Community Services District:

Government Code Section 56425(i) requires that during a sphere of influence amendment or update for a Special District, the Commission is required to review and identify the range of services to be provided, as well as the nature and location of these services. At present the Commission's Policy and Procedure Manual identifies the authorized functions and services to be provided by the special districts under its purview. That listing identifies the following functions and services for the Phelan Piñon Hills Community Services District:

FUNCTION	SERVICES
Water	Supply water for any beneficial use as outlined in the Municipal Water District law of 1911 (commencing with Section 71000) of the Water Code.
Park and Recreation	Acquire, construct, improve, maintain and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code.
Streetlighting	Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements.
Solid Waste and Recycling	Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.

LAFCO staff recommends that the Commission affirm the service description for the Phelan Piñon Hills Community Services 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*.

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 3193 is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that the Commission's approval of the sphere of influence amendment does not appear to have any potential to alter the existing physical environment in any manner different from the existing environmental circumstance; and 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 #3 to this report.

ADDITIONAL DETERMINATIONS:

1. As required by State Law, notice of the Commission's consideration of this issue has been advertised as required by State law through publication in *The Daily Press*, a newspaper of general circulation in the area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies wishing mailed notice.

2. LAFCO staff has also provided individual notices to landowners and registered voters within the sphere expansion area (totaling 48) and to landowners and registered voters surrounding the sphere expansion area (totaling 181) in accordance with state law and adopted Commission policies. To date, no written comments in support or opposition have been received regarding the consideration of this proposal.

3. The map and legal description of this sphere of influence amendment, was certified by the County Surveyor's office.

CONCLUSION:

LAFCO 3193 represents a reasonable expansion of the sphere of influence for the Phelan Piñon Hills Community Services District. This proposal has been submitted in order to move forward with the reorganization proposal that the District submitted to annex the properties it owns that are currently outside of the District's boundaries. For all these reasons, and those identified within this report, staff recommends approval of LAFCO 3193. The actions recommended for the Commission are outlined on page one of this report.

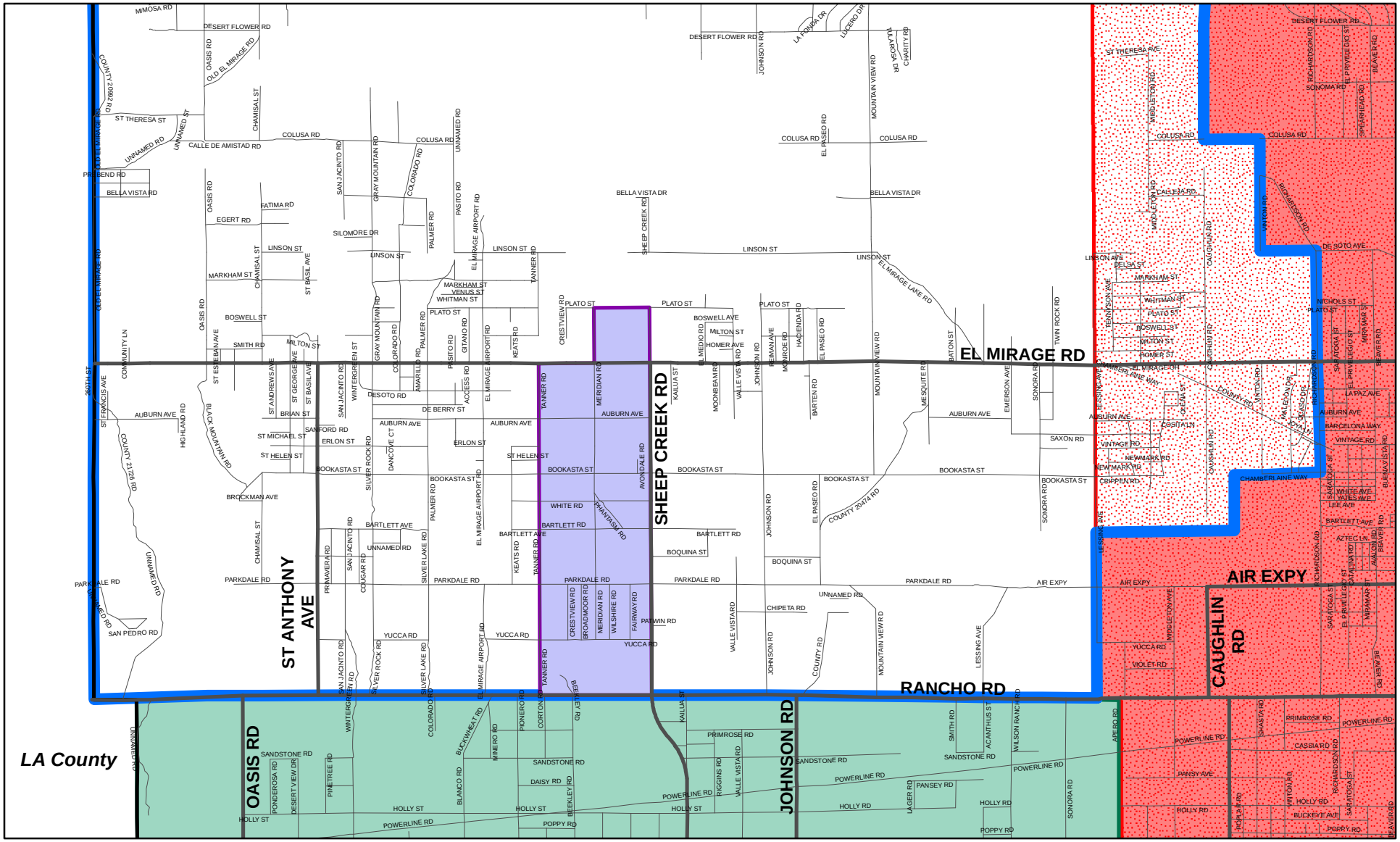
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Attachments:

1. Vicinity Map and Map of Proposed Sphere Expansion
2. Phelan Piñon Hills Community Services District Application for Sphere of Influence Expansion Including Supplemental Data
3. Letter Response from the Commission's Environmental Consultant Tom Dodson of Tom Dodson and Associates
4. Draft LAFCO Resolution No. 3213

Vicinity Map and Map of Proposed Sphere Expansion

Attachment 1



LAFCO 3193 - Sphere of Influence Amendment (Expansion) for Phelan Piñon Hills CSD

Vicinity Map

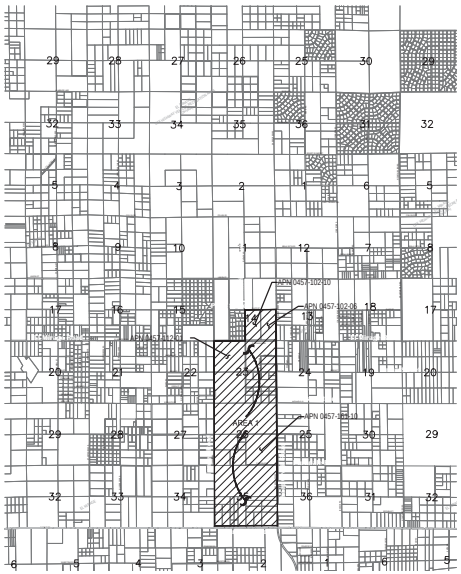
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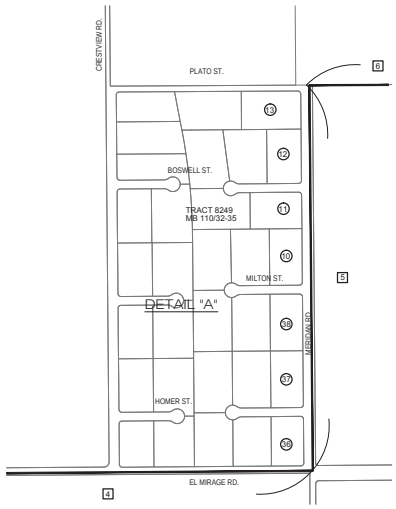
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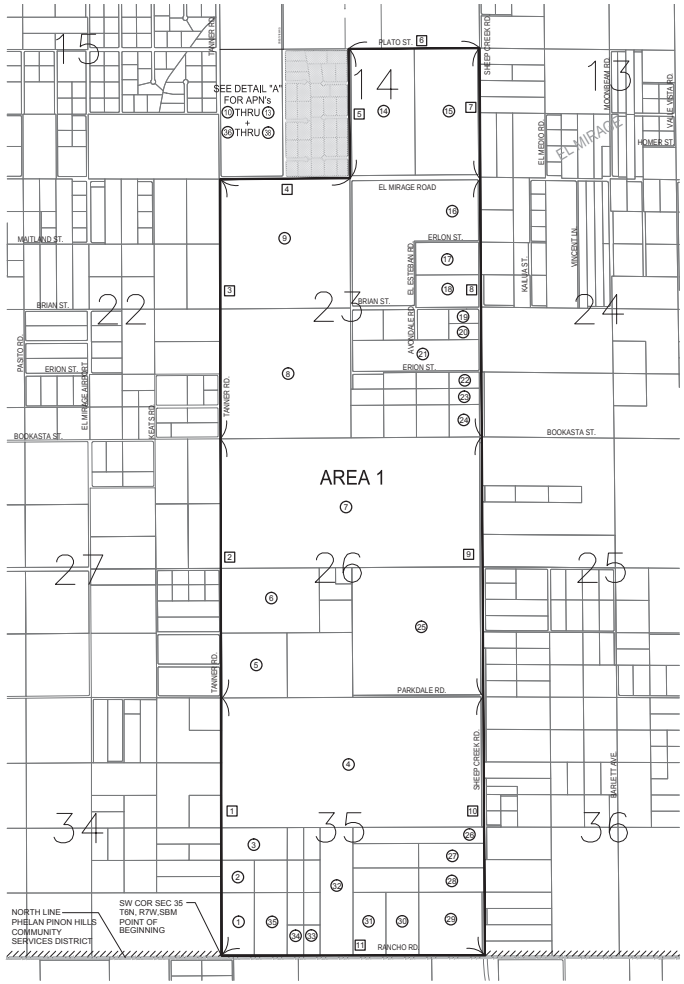
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- Sphere Expansion Area (3193)
- Phelan Piñon Hills CSD Boundary & Sphere
- CSA 70 Zone P-6
- City of Adelanto Sphere
- City of Adelanto Boundary
- County Boundary

EXHIBIT "A"







LOCATION MAP
SCALE: 1"=5000'

BOUNDARY MAP
GRAPHIC SCALE
1200 0 600 1200 2400 4800
(IN FEET)
1 inch =1200ft.

BOUNDARY PARCEL LISTING

(#) ASSESSOR'S PARCEL NUMBER

1	0457-173-09	20	0457-112-23
2	0457-173-05	21	0457-112-19
3	0457-173-02	22	0457-112-10
4	0457-173-01	23	0457-112-11
5	0457-161-12	24	0457-112-20
6	0457-161-20	25	0457-161-10
7	0457-161-13	26	0457-173-16
8	0457-112-06	27	0457-173-18
9	0457-112-01	28	0457-173-20
10	0457-371-24	29	0457-173-23
11	0457-371-23	30	0457-173-22
12	0457-371-19	31	0457-173-21
13	0457-371-18	32	0457-173-15
14	0457-102-10	33	0457-173-14
15	0457-102-06	34	0457-173-13
16	0457-112-02	35	0457-173-10
17	0457-112-03	36	0457-371-01
18	0457-112-04	37	0457-371-30
19	0457-112-22	38	0457-371-29

APPROXIMATE ACREAGE:

2080 ACRES

COURSE TABLE

#	DIRECTION/CURVE DATA	DISTANCE
1	NORTHERLY	5280'
2	NORTHERLY	5280'
3	NORTHERLY	5280'
4	EASTERLY	2640'
5	NORTHERLY	2640
6	EASTERLY	2640'
7	SOUTHERLY	2640
8	SOUTHERLY	5280'
9	SOUTHERLY	5280'
10	SOUTHERLY	5280'
11	WESTERLY	5280'

LEGEND:

- PROPOSED PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT ANNEXATION BOUNDARY
- NORTH LINE PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT
- (#) BOUNDARY DESCRIPTION REFERENCE NUMBER
- (#) ASSESSOR'S PARCEL NUMBER (REFERENCE NUMBER)
- PROPOSED ANNEXATION AREA

DATE OF PREPARATION:
AUGUST 27, 2015

LICENSED LAND SURVEYOR THOMAS E. RADEL Exp. 03/31/2015 No. 6205 STATE OF CALIFORNIA

TRLS ENGINEERING Inc.
10770 I Ave. Ste. 108
Hesperia, CA 92345
(760) 948-4900

LAFCO NO. 3193
SPHERE OF INFLUENCE AMENDMENT (EXPANSION) FOR PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT

THE SOUTHEAST QUARTER OF SECTION 14, T6N, R7W, S.B.M., TOGETHER WITH SECTION 23, SECTION 26, AND SECTION 35, T6N, R7W, S.B.M., IN THE UNINCORPORATED AREA OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA

Phelan Piñon Hills Community Services District Application for Sphere of Influence Expansion Including Supplemental Data

Attachment 2

3193-3194

(FOR LAFCO USE ONLY)

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: Phelan Piñon Hills Community Services District Sphere of Influence Amendment (Expansion) and Reorganization to Include Annexation of Selected Properties into the Phelan Piñon Hills Community Services District and Detachment from County Service Area 70 Zone P-6

2. NAME OF APPLICANT: Phelan Piñon Hills Community Services District (CSD)

   MAILING ADDRESS: 4176 Warbler Road
   Phelan, CA 92371

   PHONE: (760) 868-1212

   FAX: (760) 868-2323

   E-MAIL ADDRESS: dbartz@pphcsd.org

3. GENERAL LOCATION OF PROPOSAL:

   The Phelan Piñon Hills CSD's sphere of influence (SOI) expansion proposal includes an area located within the unincorporated San Bernardino County, adjacent to the existing CSD's northern boundary. The annexation would also require an expansion of the existing CSD sphere of influence boundary and would include five properties within the SOI expansion area: 0457-102-06, 0457-102-10, 0457-112-01, 0457-161-10, and 0457-102-09.

4. Does the application possess 100% written consent of each landowner in the subject territory?
   YES ___ NO _X__ If YES, provide written authorization for change.

5. Indicate the reasons that the proposed action has been requested.

   The Phelan Piñon Hills CSD obtained ownership of former dairy farm lands for additional water rights. Currently, property taxes of $29.264 are being paid for these properties that are outside of the current CSD boundary. One parcel is still in the process of being transferred to Phelan Piñon Hills CSD ownership. Upon the transfer, the Phelan Piñon Hills CSD property taxes would become $31.359. Upon expansion of the CSD's Sphere of Influence and annexation of the five (5) subject properties into the district, the

CSD can apply for property tax exempt status since these parcels would be within a governmental boundary. Also, the CSD would be able to provide a higher level of services to the annexation area for management of collection, transfer, and disposal of solid waste and parks and recreation, and would extend water service and street lighting service under the appropriate economic conditions only when extension of these services would be feasible.

6. Would the proposal create a totally or substantially surrounded island of unincorporated territory? YES _X__ NO If YES, please provide a written justification for the proposed boundary configuration.

The annexation of the five (5) subject properties are only for the purposes of additional water rights for the PPHCSD and not for the purpose of development or urbanization.

LAND USE AND DEVELOPMENT POTENTIAL

1. Total land area (defined in acres):

Estimated acres in the proposed sphere expansion/reorganization area totals 2.078.

2. Current dwelling units in area classified by type (Single Family detached, multi-family (duplex, four-plex, 10-unit), apartments)

Census 2010 estimated four (4) single family detached housing units for the sphere expansion/reorganization area.

3. Approximate current population in area:

U. S. Census 2010 total estimated population in the proposed sphere expansion/reorganization area is six (6).

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):

Agriculture
Industrial
Rural Living-5 (5 acre minimum lot size)
Rural Living (2.55 acre minimum lot size)

5. Describe any special land use concerns expressed in the above plans. In addition, for a City Annexation or Reorganization, provide a discussion of the land use plan's consistency with the regional transportation plan as adopted pursuant to Government Code Section 65080 for the subject territory:

Not applicable

(FOR LAFCO USE ONLY)

6. Indicate the existing land use.

Dairy – 157 acres
Field Crops – 240 acres
Heavy Industrial – 112 acres
Misc. Residential Structure – 5 acres
Stable – 5 acres
Vacant Land – 1.195 acres
Water Well Site – 364 acres

What is the proposed land use?

No proposed land use changes although the Dairy is no longer operating and the property will be used to provide water rights to PPHC SD.

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

Not applicable

a. Has pre-zoning been completed? YES ___ NO _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.

Not applicable

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

_____

_____

_____

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

X Agricultural Land Uses ☐ Agricultural Preserve Designation
☐ Williamson Act Contract ☐ Area where Special Permits are Required
☐ Any other unusual features of the area or permits required: _____

_____

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

No Williamson Act Contracts exist within the sphere expansion/reorganization area, according to the Williamson Act map of San Bernardino County (north) from the California Department of Conservation, Division of Land Resource Protection.

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

The Phelan Piñon Hills CSD currently practices environmental justice in providing the following four (4) public services within its existing boundaries: 1) water; 2) solid waste management; 3) parks and recreation; and, 4) street lighting. The CSD will continue to practice the principals of environmental justice upon annexation into the CSD.

Currently, the CSD provides domestic water and water quality services to residents within the CSD boundaries, except for residents or businesses within the Sheep Creek Mutual Water Company boundary. These services are not anticipated to be extended to the properties within annexation area. However, if they are extended, it would only be under the proper economic and development conditions, and would be the cost responsibility of the affected property owners.

Phelan Piñon Hills CSD provides street lighting in the business district and on selected public rights-of-way and intersections generally in and around the downtown Phelan area. While the annexation area will have access to the street lighting services that the Phelan Piñon Hills CSD operates, no street lighting services are anticipated to be provided at this time. These services would only be extended under the proper economic and development conditions, and with future residents of these areas subject to any applicable costs.

ENVIRONMENTAL INFORMATION

1. Provide general description of topography.

The sphere expansion/reorganization area is located in a relatively level area of the High Desert region in San Bernardino County.

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

Residential	0.00%	Agricultural	0.001%
Commercial	0.00%	Vacant	0.00%
Industrial	1.10%	Other	0.80%

3. Describe the surrounding land uses:

NORTH Agricultural and Vacant

EAST Residential and Vacant

SOUTH Vacant

(FOR LAFCO USE ONLY)

WEST Residential and Vacant

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

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

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

The proposed sphere expansion/reorganization area currently relies on San Bernardino County Solid Waste Management Division (SWMD) under contract with AVCO/Burrtec for solid waste disposal services, source reduction, recycling and composting activities. The Phelan Piñon Hills CSD contracts with CR&R to provide these same services within the Phelan Piñon Hills CSD boundary. After the annexation, the Phelan Piñon Hills CSD would arrange for the waste handling services within the proposed annexation area within the legislatively specified time period.

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

(FOR LAFCO USE ONLY)

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 Don Bartz, General Manager TELEPHONE NO. (760) 868-1212

ADDRESS: 4176 Warbler Road
Phelan, CA 92371

CERTIFICATION

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

As the proponent, I/We acknowledge that annexation to the Phelan Piñon Hills Community Services District may result in the imposition of taxes, fees, and assessments existing within the district on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIIID 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 6/22/2015

D-R
SIGNATURE OF APPLICANT

DON BARTZ
PRINTED NAME OF APPLICANT

GENERAL MANAGER
TITLE

(FOR LAFCO USE ONLY)

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

3193

(FOR LAFCO USE ONLY)

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):

SPHERE EXPANSION	SPHERE REDUCTION
Phelan Piñon Hills Community Services District	

2. Provide a narrative description of the following factors of consideration as outlined in Government Code Section 56425. (If additional room for response is necessary, please attach additional sheets to this form.)

The present and planned land uses in the area, including agricultural and open-space lands.
The existing land uses are shown below and no change in use is anticipated. Also, the former agricultural uses will not be continued on the existing parcels.

Dairy – 157 acres
Field Crops – 240 acres
Heavy Industrial – 112 acres
Misc. Residential Structure – 5 acres
Stable – 5 acres
Vacant Land – 1,195 acres
Water Well Site – 364 acres
Total Acres – 2,078 acres

General Plan land uses are:

Agriculture (AG) – 475 acres
Rural Living (RL) – 842 acres
Rural Living -5 (RL_5) – 650 acres
Industrial (IR) – 112 acres
Total Acres – 2,078 acres (total does not add exactly due to rounding)

Currently, the proposed sphere expansion area includes 57 parcels.

The current expectations regarding the projected five-year growth in the proposed sphere expansion area is that no significant change will occur over the next five years, based on discussions with the Phelan Piñon Hills CSD staff. Also, there are no plans to develop the five (5) Phelan Piñon Hills CSD properties, since the recent land acquisitions were intended to expand the CSD's water rights capacity.

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

Current parks and recreation services are provided by Improvement Zone P-6 and solid waste disposal services by Burrtec under contract; these services are provided at the level of service the community is willing to fund. Improvement Zone P-6 (P-6) was formed to provide recreation and park services and called a special tax and appropriations limit election. The election provided for a special tax with an annual rate not to exceed $9 per parcel for the El Mirage community. In 1991, the voters approved the formation of P-6 by more than the two-thirds required approval. The Phelan Piñon Hills CSD is currently responsible for providing these selected public services within its boundary, including water services; management of collection, transfer, and disposal of solid waste; parks and recreation; and street lighting services. These services would be authorized to be extended by the Phelan Piñon Hills CSD to the sphere expansion area upon annexation under appropriate conditions; however, there is no current need for expansion of such facilities or services.

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

The CSD would be able to provide a higher level of services to the sphere expansion area upon annexation for management of collection, transfer, and disposal of solid waste and parks and recreation, and would extend water service and street lighting service under the appropriate economic conditions only when extension of these services would be sought by the affected properties and determined to be feasible.

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

The area is a part of the community identified as EL Mirage. The El Mirage community extends westward to the County line and includes the El Mirage Off-Highway Vehicle Area which is managed by the Bureau of Land Management. The El Mirage community is generally defined by the boundaries of the two overlaying service providers - County Service Area 70, Improvement Zone P-6 for park and recreation and San Bernardino County Fire Protection District (County Fire) Service Zone FP-3 for fire protection and paramedic response. According to the service review, the population of the County Service Area 70, Improvement Zone P-6, had about 1,598 persons in 2010. While the absolute increase in population is nominal, it is projected to grow to 2,455 persons in 2030, or a 54 percent increase. Within the proposed sphere expansion area specifically, there is a limited residential population (6), one (1) industrial property, and a number of vacated agricultural properties.

The present and probable need for public facilities or services related to sewers, municipal and industrial water, or structural fire protection for any disadvantaged unincorporated community, as defined by Govt. Code Section 56033.5, within the existing sphere of influence.

Structural fire protection is provided to the area through the auspices of the San Bernardino County Fire Protection District (SBCFPD), its North Desert Service Zone and Fire Zone FP-3. No effect on this services provider through the sphere of influence change requested is anticipated as SBCFPD is the service provider for the Phelan Pinon Hills community. There is no immediate need for sewers or municipal or industrial water. Residences or businesses within the sphere expansion area rely on individual septic systems for sewer services. The same applies to most residents and businesses within the Phelan Piñon Hills CSD. The Phelan Shopping Center does have several properties in which the tenants have their own

package treatment systems, which are operated and maintained privately. These approaches are expected to be continued upon annexation. The Phelan Piñon Hills CSD provides water services within the CSD boundaries, except for properties within the Sheep Creek Mutual Water Company, which is within the CSD boundaries. Properties outside the CSD boundaries generally rely on underground water wells.

3. If the proposal includes a city sphere of influence change, provide a written statement of whether or not agreement on the sphere change between the city and county was achieved as required by Government Code Section 56425. In addition, provide a written statement of the elements of agreement (such as, development standards, boundaries, zoning agreements, etc.) (See Government Code Section 56425)

Not applicable

4. If the proposal includes a special district sphere of influence change not considered to be minor, 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 provided by the district(s). (See Government Code Section 56425(i))

The current services authorized for the PPHCSD are:

Phelan Piñon Hills (District formed 3/18/08; amended 2/16/12)	Water	Supply water for any beneficial use as outlined in the Municipal Water District law of 1911 (commencing with Section 71000) of the Water Code
	Park and Recreation	Acquire, construct, improve, maintain and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code
	Streetlighting	Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements

Solid Waste and Recycling	Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.

No change is anticipated.

5. For any sphere of influence amendment either initiated by an agency or individual, or updated 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 affected area.

      There is no increase in population or employment anticipated for the next five years.

   b. Location and characteristics of disadvantaged unincorporated communities within or contiguous to the sphere of influence.

      None identified for the sphere expansion area, which has an estimated four (4) housing units.

   c. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies, including those associated with a disadvantaged unincorporated community.

      Minimal infrastructure is needed, including no expansion of water service, and orl parks and recreation services.

   d. Financial ability of agencies to provide services.

      It has been evaluated, based on the separate fiscal impact report, that the Phelan Piñon Hills CSD has financial capacity to provide for services when required.

   e. Status of, and opportunities for, shared facilities.

      Not applicable.

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

      Analysis shows a positive fiscal impact to the PPHCSD due to the avoidance of property taxes on owned properties because of the Phelan Piñon Hills CSD's future anticipated property tax exempt status for these properties. No additional operations and maintenance costs are anticipated.

If additional sheet are submitted or a separate document provided to fulfill Item #5, the narrative description shall be signed and certified by an official of the agency(s) involved with he sphere of influence review as to the accuracy of the information provided. If necessary, attach copies of documents supporting statements.

(FOR LAFCO USE ONLY)

CERTIFICATION

As a part of this application, the Phelan Piñon Hills Community Services 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.

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 6/22/2015

D. R.
SIGNATURE OF APPLICANT

DON BARTZ
PRINTED NAME

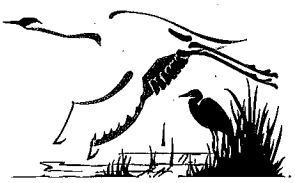
GENERAL MANAGER
TITLE

Rev: krm – 8/15/2012

Letter Response from the Commission's Environmental Consultant Tom Dodson of Tom Dodson and Associates

Attachment 3

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



February 8, 2016

RECEIVED
FEB 09 2016
LAFCO
San Bernardino County

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

Dear Kathy:

LAFCO 3193 consists of a Sphere of Influence Amendment pursuant to Government Code 56425 for the Phelan Pinion Hills Community Services District (District). At the present time there appears to be only one option proposed for the sphere boundary of the District. The District proposes to expand its current Sphere of Influence by approximately 2,078+/- acres. The District Sphere expansion area encompasses the following area: a combination of El Mirage Road, Meridian Road, and Plato Street on the north, Sheep Creek Road on the east, Rancho Road (existing District boundary) on the south, and Tanner Road on the west.

As we have learned from previous sphere 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. Even though in this case the District has an accompanying application, LAFCO 3194, for a Reorganization that includes Annexation for 480 acres, this accompanying action has also been determined to be Statutorily Exempt because the Annexation does not pose any physical changes on the environment within the Annexation area. Thus, a finding that LAFCO 3193 is Statutorily Exempt is the appropriate CEQA environmental determination for this action before the Commission.

Based on this information, it appears that LAFCO 3193 can be implemented without causing any physical changes to the environment or any adverse environmental impacts. Therefore, I recommend that the Commission find that a Statutory Exemption (as defined in the California Environmental Quality Act, CEQA) under the General Rule exemption applies to LAFCO 3193 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 3193. In this case, expansion of the District Sphere does not alter the existing environmental setting.

Based on this review of LAFCO 3193 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that LAFCO 3193 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 3193 as Statutorily Exempt under the General Rule exemption 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.

A copy of this exemption 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,

Tom Dodson

Tom Dodson

Draft LAFCO Resolution NO. 3213

Attachment 4

PROPOSAL NO.: LAFCO 3193

HEARING DATE: February 17, 2016

RESOLUTION NO. ____

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3193 AND APPROVING THE SPHERE OF INFLUENCE AMENDMENT (EXPANSION) FOR THE PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT (The sphere amendment encompasses 2,078+/- acres, which is generally bordered by a combination of El Mirage Road, Meridian Road, and Plato Street on the north, Sheep Creek Road on the east, Rancho Road (existing PPHCSD boundary) on the south, and Tanner Road on the west).

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 sphere of influence expansion 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,

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 February 17, 2016 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 opposition; the Commission considered all objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the 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 expansion is statutory exempt from CEQA and such exemption was adopted by this Commission on February 17, 2016. The Commission directed its Executive Officer to file a Notice of Exemption within five

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working days with the San Bernardino County Clerk of the Board of Supervisors; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the Phelan Piñon Hills Community Services District should be expanded, as more specifically described on the attached Exhibits "A" and "A-1" to this resolution;

WHEREAS, the Commission determined that the proposed sphere of influence amendment, submitted under the provisions of Government Code Section 56428, does not require a service review; and,

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

1. Present and Planned Uses:

The District's current sphere of influence is coterminous with its boundaries. Ninety percent of the area is designated Rural Living (which is reflective of its rural atmosphere), four percent Single Residential, and the remainder of the land uses comprise six percent of the total area designated for Multiple Residential, Special Development (Residential/Commercial), Commercial, Resource Conservation, Industrial, and Institutional.

The existing uses within the sphere of influence expansion area include a mix of a non-operating dairy farm, field crops, heavy industrial development, and primarily vacant land. There is also an existing horse stable and a well site within the area. The land uses that the County has assigned for the sphere expansion area include 480 acres designated AG (Agriculture), 838 acres designated RL (Rural Living, one unit per 2.5 acres), 640 acres designated RL-5 (Rural Living, one unit per 5 acres), and 120 acres IR (Regional Industrial).

The District recently built a solar facility in one of the parcels it currently owns within the sphere expansion area, which is expected to save the District almost $14 Million in electricity costs over the next 30 year. This is the only development that has occurred and there are no immediate plans to develop the rest of the properties that the District acquired. Likewise, no significant change is expected to occur for the rest of the sphere expansion area within the next five years.

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

Currently, the District is authorized by LAFCO to provide water, streetlights, solid waste and recycling, and park and recreation functions and services. Other services provided by regional service providers are fire protection and emergency medical response services provided by the San Bernardino County Fire Protection District, its North Desert Service Zone, and its Service Zone FP-3; wholesale water service by the Mojave Water Agency (State Water Project Contractor for the area); and the Mojave Desert Resource Conservation District overlays the entirety of the area. In addition, the area is overlain by County Service Area 70 (multiple function agency, unincorporated County), Zone P-6 of County Service Area 70 (parks), and County Service Area 60 (Apple Valley Airport).

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The sphere of influence expansion area is overlain by the same regional service providers. In addition, within the sphere expansion area, parks and recreation services are currently provided by County Service Area 70 Zone P-6 and solid waste and recycling services by Burrtec under contract with the County.

There are 57 parcels within the sphere of influence expansion area. The need for public facilities and services within the area will vary with the type of land use that is assigned to each parcel and the type of development proposed in the future. However, there are no development plans anticipated at this time.

3. The present capacity of public facilities and adequacy of public services that the agency provides

The District is currently authorized to provide water, streetlights, solid waste and recycling, and park and recreation.

Water

The District provides water to around 6,800 service connections. The District's water distribution system consists of approximately 353 miles of pipelines ranging from 4-inch to 16-inch in diameter. The District obtains its water supply from the local groundwater aquifer through the use of 11 active wells in six well fields that pump directly into the distribution system or into storage reservoirs. The District maintains 35 storage tanks ranging from 1.0 million gallon (MG) to 0.04 MG with a total capacity of 12 MG.

Also, it should be noted that within the core of the District lies the Sheep Creek Mutual Water Company, a shareholder owned water utility, serving approximately 10 square miles. The Water Company currently provides for its water from surface flows and other sources.

The District has interties with the Sheep Creek Mutual Water Company, the City of Victorville, and San Bernardino County CSA 70 Zone J (Oak Hills area). These interties are typically only used during short-term emergencies or during planned shutdowns of a primary source, not during normal operating conditions when regular supplies are available.

The District is within the Alto and Oeste sub-regions of the Mojave Groundwater Basin. The District has water production rights of 1,416 acre-feet (AF) in the Oeste sub-basin. The recently acquired water rights from the dairy farm adds another 2,335 AF bringing the total to 3,751 AF, which is now higher than the historical demand of approximately 2,725 AF. The District also has water production rights of 355 AF in the Alto Sub-basin.

Properties within the sphere of influence expansion area generally rely on underground water wells. Water service from the District is not anticipated to be extended to the sphere expansion area in the near future; however, if the need arises, the cost to extend water service will be the responsibility of the property owners/developer.

Streetlighting

The District succeeded to the streetlights previously operated by the former County Service Area 9. It should be noted that the area of Phelan/Piñon Hills is a part of the County's Night

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Sky Ordinance, which limits the introduction of new streetlights in the area except to address safety issues. The District's streetlighting service is primarily located in the business district of Phelan with some at strategic intersections within the District for safety needs.

There are no streetlights within the sphere of influence expansion area because most of the properties are primarily vacant. No streetlighting service is anticipated to be installed anytime soon; however, if the need arises, the cost to install streetlights will be the responsibility of the property owners/developer.

Solid Waste and Recycling

The District administers solid waste and recycling programs. The solid waste and recycling services are contracted with CR&R Waste and Recycling Services (CR&R). The District works closely with CR&R to coordinate various programs and provide a variety of recycling events within the community.

The sphere of influence expansion area is currently served by the San Bernardino County through its Solid Waste Management Division under contract with AVCO/Burrtec for solid waste disposal services.

Park and Recreation

The District operates two community centers with associated park facilities utilized by the entire community, the district provides for recreation activities at these facilities such as the Phelan Farmers Market (weekly event) and the Senior Lunch Program (twice a month). The District has been improving its park operations, provided additional training for staff, and worked with school officials and local sporting associations for other recreation programs to meet community needs.

The sphere of influence expansion area is within the boundaries of County Service Area 70 P-6 that operates a community park and community/senior center on an approximate 4.25 acre parcel. The park contains a baseball field, basketball court, playground, picnic areas, and an open grass area.

This sphere of influence amendment application will allow for the delivery of water, streetlights, solid waste and recycling, and park and recreation services. However, no increase in service is anticipated through the completion of this sphere of influence expansion or its corresponding annexation proposal since no development is anticipated in at least the next five years.

4. The existence of any social or economic communities of interest

The District currently serves the communities of Phelan and Piñon Hills.

The sphere of influence expansion area is within the community identified as El Mirage. This community extends west of the City of Adelanto to the westerly County line north of the communities of Phelan and Piñon Hills. The El Mirage community is also generally defined by the service entities of County Service Area 70 Zone P-6 (for park and recreation) and the San Bernardino County Fire Protection District Service Zone FP-3 (for fire protection and

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emergency medical response). The community is generally associated with the El Mirage Off-Highway Vehicle Area which is managed by the Bureau of Land Management.

5. Additional Determinations

- As required by State Law, notice of the Commission's consideration of this issue has been advertised as required by State law through publication in *The Daily Press*, a newspaper of general circulation in the area..

- LAFCO staff has also provided individual notices to landowners and registered voters within the sphere expansion area (totaling 48) and to landowners and registered voters surrounding the sphere expansion area (totaling 181) in accordance with state law and adopted Commission policies. To date, no written comments in support or opposition have been received regarding the consideration of this proposal

- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. The Commission reviewed and considered all comments in making its determinations.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Phelan Piñon Hills Community Services District shall be limited to the following:

FUNCTION	**SERVICES**
Water	Supply water for any beneficial use as outlined in the Municipal Water District law of 1911 (commencing with Section 71000) of the Water Code.
Park and Recreation	Acquire, construct, improve, maintain and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code.
Streetlighting	Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements.
Solid Waste and Recycling	Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.

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RESOLUTION NO. ____

WHEREAS, having reviewed and considered the determinations as outlined above, the Commission determines to expand the sphere of influence for the Phelan Piñon Hills Community Services District, encompassing approximately 2,078 acres.

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 Exhibits "A" and "A-1" as being within the sphere of influence of the Phelan Piñon Hills Community Services District, it being fully understood that the amendment of such sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the Phelan Piñon Hills Community Services District shall indemnify, defend, and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

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 of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission by vote of the members present as the same appears in the Official Minutes of said Commission at its regular meeting of February 17, 2016.

DATED:

_____
KATHLEEN ROLLINGS-MCDONALD
Executive Officer

DRAFT

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: **FEBRUARY 8, 2016**

FROM: **KATHLEEN ROLLINGS-McDONALD, Executive Officer**
SAMUEL MARTINEZ, Assistant Executive Officer

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **AGENDA #6: LAFCO 3194 – Reorganization to include Annexations to the Phelan Pinon Hills Community Services District and Detachment from County Service Area 70 Zone P-6**

INITIATED BY:

Resolution of the Board of Directors of the Phelan Piñon Hills Community Services District

RECOMMENDATION:

The staff recommends that the Commission approve LAFCO 3194 by taking the following actions:

1. Certify that LAFCO 3194 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;

2. Approve LAFCO 3194, with the standard LAFCO terms and conditions that include the "hold harmless" clause for potential litigation costs by the applicant;

3. Waive protest proceedings, as permitted by Government Code Section 56663(c), with 100% landowner consent to the reorganization; and,

4. Adopt LAFCO Resolution No. 3214 setting forth the Commission's determinations and conditions of approval concerning the reorganization proposal.

BACKGROUND:

In April 2015, the Phelan Piñon Hills Community Services District (hereafter shown as the "District") initiated a reorganization application that proposes to annex three separate areas

into the District. The proposal also includes the detachment from the board-governed County Service Area 70 Zone P-6 (hereafter "CSA 70 P-6"). CSA 70 P-6 is an entity that provides park and recreation services for the unincorporated El Mirage community. Figure 1 below provides a general location of the three areas (in red) that are being considered in this reorganization proposal.

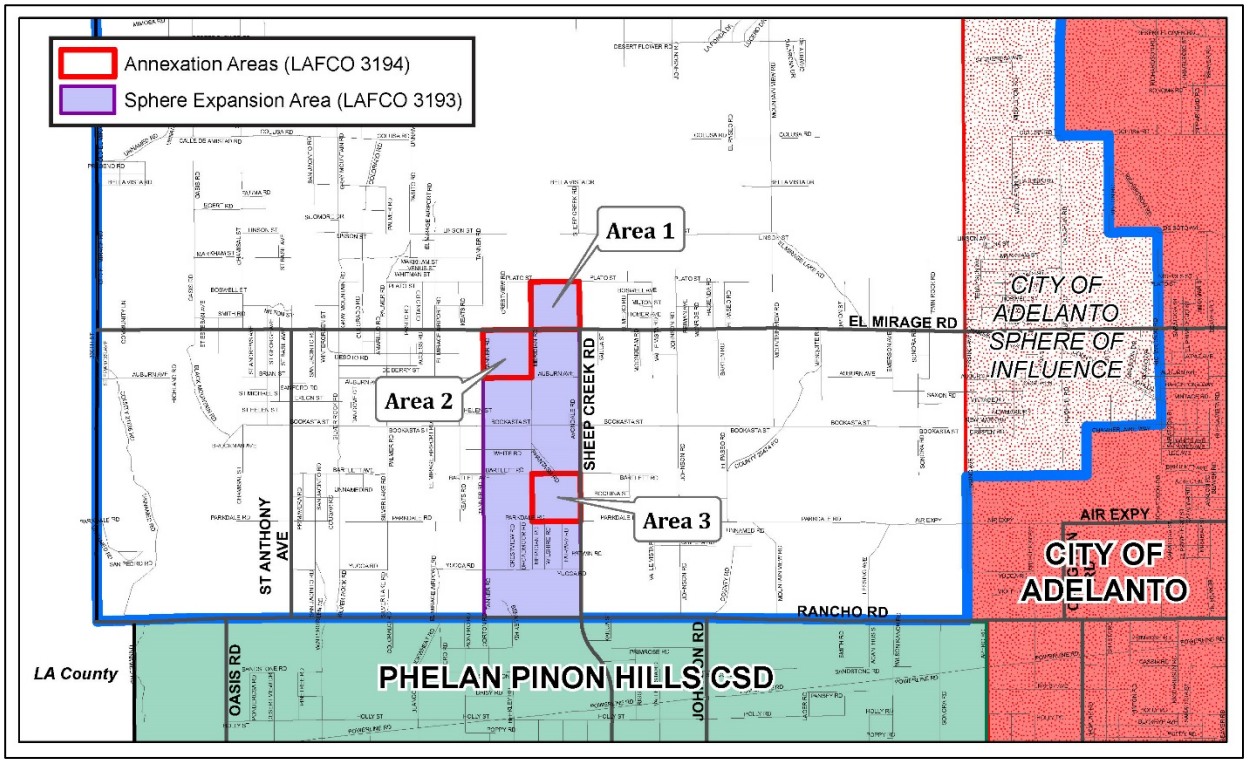


Fig. 1: Vicinity Map

These three areas—totaling 480 acres—were part of the former Meadowbrook Dairy, which was acquired by the District in 2012 for additional water rights. As a former dairy farm, these properties carried significant water rights that the District critically needed in order to increase its water allocation in the adjudicated Mojave River Basin.

Now that the District owns these lands, the District would like to declare these properties exempt from property taxes, which is the reason for its request. A public agency can be declared exempt from paying property taxes on lands that it owns provided the lands are within the agency's boundaries. These properties are currently not within its boundaries; therefore, the District is currently obligated to pay property taxes on all five parcels.

Once annexed, the District would be relieved of approximately $30,000 in annual property tax obligation, a savings for its customers and tax payers.

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 proposed reorganization area includes three separate areas encompassing a total of 480+/- acres, generally described as follows:

- Area 1 includes three parcels that encompasses 160+/- acres generally bordered by Plato Street to the north, Sheep Creek Road to the east, El Mirage Road to the south and Meridian Road to the west. (APN 0457-102-06, 09 and 10)

- Area 2 includes a single parcel that encompasses 160+/- acres generally bordered by El Mirage Road to the north, Meridian Road to the east, parcel line (natural extension of Brian Street) to the south and parcel line (natural extension of Tanner Road) to the west. (APN 0457-112-01)

- Area 3 includes a single parcel that encompasses 160+/- acres generally bordered by the natural extension of Bartlett Avenue on the north, Sheep Creek Road to the east, Parkdale Road to the south and Meridian Road to the west. (APN 0457-161-10)

These three areas being annexed are whole quarter sections of land, which are easily identifiable boundaries for service delivery. In addition, annexation to a community services district does not require contiguity. Therefore, the proposal presents no boundary concern.

Issue Related to County Service Area 70 Zone P-6

CSA 70 P-6 is a district that was formed in 1991 to provide park and recreation services within the El Mirage community. It has an annual special tax assessment of $9 per parcel with no annual inflationary increase.

The reorganization includes the detachment of CSA 70 P-6 as part of the proposal, which would result in a $45 ($9 x 5 parcels) loss in annual special tax assessment that would have normally go to CSA 70 P-6. Originally, the County Special District's Department requested that the Phelan Piñon Hills Community Services District continue the payment of the special tax for all five parcels in order to help support the services being provided within the El Mirage community. The District was supportive of this arrangement. However, because the parcels—upon annexation—would eventually be removed from the tax roll, LAFCO staff had specified that a mechanism to continue payment of the sum equivalent had to be agreed upon, through a contract, in order to ensure continuation of this funding source.

The Special Districts Department has since responded that putting together a formal agreement would cost CSA 70 P-6 far more than the anticipated revenues it would generate from the agreement. Therefore, the Special Districts Department has reversed its position indicating that it will support the proposal moving forward without such on-going repayment of the special tax.

LAND USE:

The reorganization areas are primarily vacant agricultural land with some miscellaneous agricultural structures (former dairy). However, it should be noted that the District recently built a solar facility on a portion of the former dairy site as a means of reducing its long term electricity costs.

The existing uses directly surrounding these three areas are primarily vacant lands with a few residential structures and an existing industrial use.

The County's land use designation for all three areas is Agriculture (AG). No change in land use is anticipated for the reorganization area. In addition, approval of this proposal will have no direct impact on the current land use designation assigned for the reorganization area.

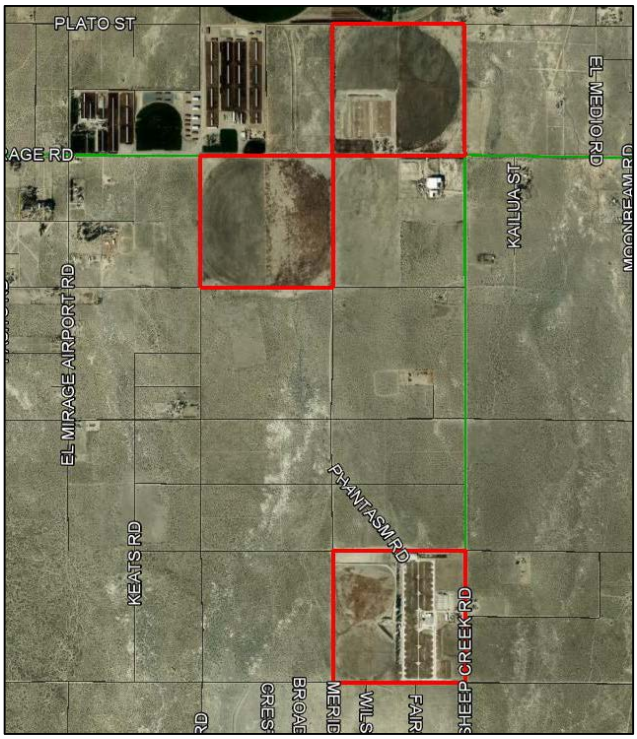


Fig. 2 – Aerial Map

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, its North Desert Service Zone, and its Service Zone FP-3; County Service Area 60 (Apple Valley Airport); and County Service Area 70 (multi-function entity) and its Zone P-6. In addition, the following regional entities overlay the reorganization area: Mojave Desert Resource Conservation District and Mojave Water Agency.

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 District.

The three areas are generally vacant agricultural lands. Current services provided and/or needed for these vacant parcels, including the solar facility that the District built on the site, are expected to be minimal.

In general, the Plan identifies the following:

- Water service will be available through the District. However, this service is not anticipated to be extended to the reorganization area at this time.

- The County's Solid Waste Management Division (SWMD), through a contract with AVCO/Burrtec, currently provides solid waste services (collection and disposal) within the reorganization area. The District currently provides solid waste services through a contract with CR&R. Upon annexation, the District would begin handling this service by receiving any franchise fee revenue paid to the County for the annexation area and would administer the AVCO/Burrtec franchise agreement until such time as CR&R can take over the contract, which is limited to the unexpired term of the contract/franchise or five years (whichever is less) pursuant to California Public Resources Code Section 49520.

- Local park and recreation service is currently provide by CSA 70 P-6. Upon annexation, this service will be provided by the District. Current park and recreation services by the District include operation of exercise classes, arts/crafts classes, and two community centers located in Phelan Piñon Hills.

  County Regional Parks will continue to provide regional park services to all residents within the area. The closest County Regional Park is Mojave Narrows located 20 miles southeast of the annexation areas.

- Streetlighting services will also be available through the District and can be extended to the reorganization area when proper economic and development conditions take place in these areas. The cost to provide streetlighting will be the responsibility of the property owner and/or developer.

- Law enforcement responsibilities are currently provided by the San Bernardino County Sheriff's Department. No change will occur for this service provider on the basis of this reorganization.

- Fire protection and paramedic services are currently the responsibility of the San Bernardino County Fire Protection District, its North Desert Service Zone, and its Service Zone FP-3. No change will occur for this service provider on the basis of this reorganization; however, placement of the parcels as exempt will exclude them from the assessment.

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 3194 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 significant adverse effect on the environment. 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 #3 to this report.

WAIVER OF PROTEST PROCEEDINGS:

The District is the current landowner for all five parcels being considered for the reorganization proposal. If the Commission approves LAFCO 3194 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 Phelan Piñon Hills Community Services District in order to relieve itself of a recurring annual property tax obligation of approximately $30,000, which is a savings that would benefit the District as a whole. A public agency is only exempt from paying property taxes on lands that it owns if the lands are within the agency's boundaries. Therefore, for these reasons, and those outlined throughout the staff report, the staff supports the approval of LAFCO 3194.

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 three areas as certified by the Registrar of Voters as of August 7, 2015.

2. The County Assessor's Office has determined that the total assessed value of land and improvements within the reorganization area is $2,409,948 (land--$1,660,809; improvements--$749,139) as of August 10, 2015.

3. Through approval of the companion proposal, LAFCO 3193, the reorganization area will be within the sphere of influence assigned the Phelan Piñon Hills Community Services District.

4. Legal advertisement of the Commission's consideration of the proposal has been provided through publication in *The Daily Press,* 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. LAFCO has provided individual notices to landowners and registered voters surrounding the reorganization area (totaling 99 notices) in accordance with State law and adopted Commission policies. 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 County's land use designation for the reorganization area is AG (Agriculture). This reorganization proposal has no direct effect on the County's General Plan land use designation assigned for the area.

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 3194 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 #3 to this report.

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

    County of San Bernardino
    Mojave Water Agency
    Mojave Desert Resource Conservation District
    San Bernardino County Fire Protection District, its North Desert Service Zone, and its Service Zone FP-3
    County Service Area 60 (Apple Valley Airport)
    County Service Area 70 (unincorporated County-wide multi-function agency) and its Zone P-6

    County Service Area 70 Zone P-6 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 District 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.

11. The reorganization can benefit from the availability and extension of municipal services, as evidenced by the Plan for Service.

12. With respect to environmental justice, the reorganization proposal—which only annexes the properties that were acquired by the District for additional water rights—will not result in the unfair treatment of any person based on race, culture or income.

13. The County of San Bernardino adopted a resolution determining there will be no transfer of property tax revenues. This resolution fulfills the requirement of Section 99 of the Revenue and Taxation Code.

14. The maps and legal descriptions as revised are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.

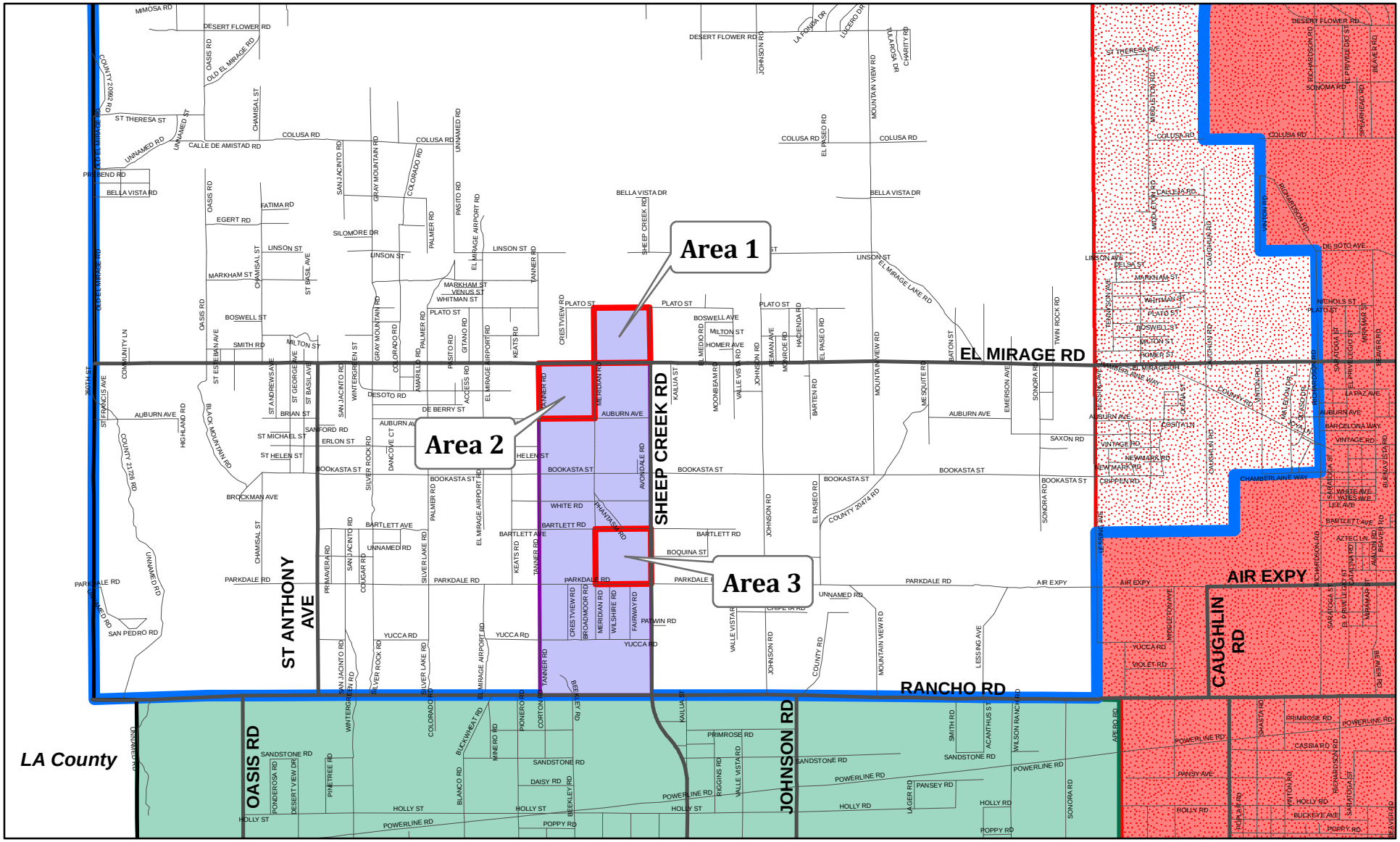
KRM/sm

Attachments:

1. Vicinity Maps for the Reorganization
2. Phelan Piñon Hills Community Services District Application and Plan for Service
3. Tom Dodson's Environmental Response for LAFCO 3194
4. Draft Resolution No. 3214

Vicinity Maps for the Reorganization

Attachment 1



LAFCO 3194 - Reorganization to include Annexations to the Phelan Piñon Hills CSD and Detachments from CSA 70 Zone P-6

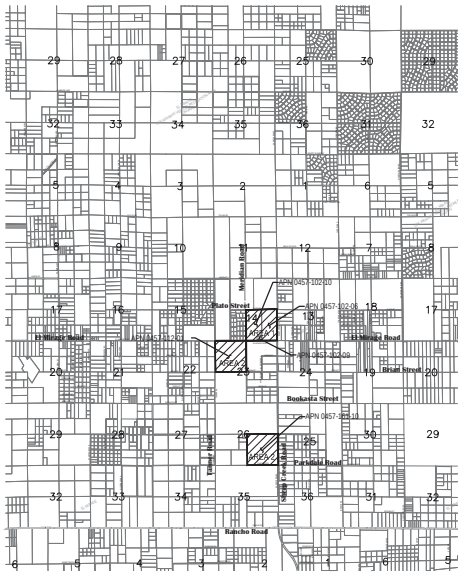
Vicinity Map

N

S

- Annexation Areas (3194)
- Sphere Expansion Area (3193)
- County Boundary
- Phelan Piñon Hills CSD Boundary & Sphere
- CSA 70 Zone P-6
- City of Adelanto Sphere
- City of Adelanto Boundary

EXHIBIT "B"



LOCATION MAP
SCALE: 1"=5000'

BOUNDARY PARCEL LISTING

(#) ASSESSOR'S PARCEL NUMBER

1. 0457-102-10
2. 0457-102-06
3. 0457-102-09
4. 0457-112-01
5. 0457-161-10

APPROXIMATE ACREAGE:

480 ACRES

COURSE TABLE

AREA 1

#	DIRECTION/CURVE DATA	DISTANCE
1	SOUTHERLY	2640'
2	WESTERLY	2640'
3	NORTHERLY	2640'
4	EASTERLY	2640'

AREA 2

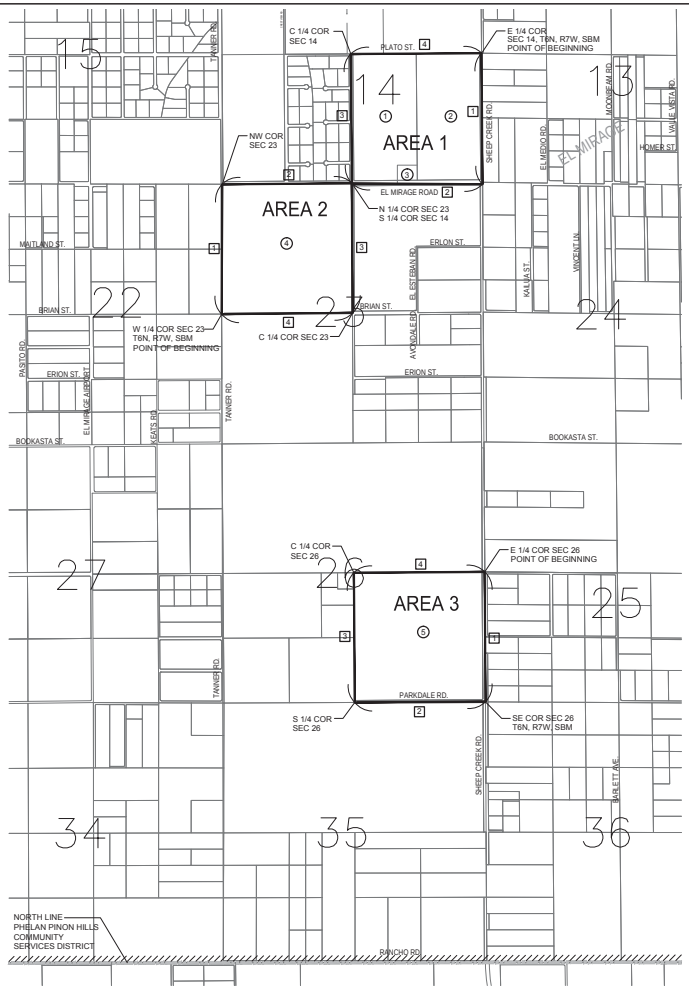
#		
1	NORTHERLY	2640
2	EASTERLY	2640'
3	SOUTHERLY	2640
4	WESTERLY	2640'

AREA 3

#		
1	SOUTHERLY	2640'
2	WESTERLY	2640'
3	NORTHERLY	2640'
4	EASTERLY	2640'

LEGEND:

- PROPOSED PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT ANNEXATION BOUNDARY
- NORTH LINE PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT
- (#) BOUNDARY DESCRIPTION REFERENCE NUMBER
- (#) ASSESSOR'S PARCEL NUMBER (REFERENCE NUMBER)
- PROPOSED ANNEXATION AREA



BOUNDARY MAP

GRAPHIC SCALE

1200 0 600 1200 2400 4800

(IN FEET)
1 inch =1200ft.

AFFECTED AGENCIES:

COUNTY SERVICE AREA 70 ZONE P-6
PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT

DATE OF PREPARATION:
AUGUST 27, 2015

LICENSED LAND SURVEYOR THOMAS E. RADER Exp. 03/31/2016 No. 6205 STATE OF CALIFORNIA

TRLS ENGINEERING Inc.
10770 I Ave. Ste. 108
Hesperia, CA 92345
(760) 948-4900

LAFCO NO. 3194

REORGANIZATION TO INCLUDE ANNEXATIONS TO THE PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT AND DETACHMENTS FROM COUNTY SERVICE AREA 70 ZONE P-6

THE SOUTHEAST QUARTER OF SECTION 14, T6N, R7W, S.B.M. TOGETHER WITH THE NORTHWEST QUARTER OF SECTION 23, T6N, R7W, S.B.M. TOGETHER WITH THE SOUTHEAST QUARTER OF SECTION 26, T6N, R7W, S.B.M., IN THE UNINCORPORATED AREA OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA

Phelan Piñon Hills Community Services District Application and Plan for Service

Attachment 2

3193-3194

(FOR LAFCO USE ONLY)

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: Phelan Piñon Hills Community Services District Sphere of Influence Amendment (Expansion) and Reorganization to Include Annexation of Selected Properties into the Phelan Piñon Hills Community Services District and Detachment from County Service Area 70 Zone P-6

2. NAME OF APPLICANT: Phelan Piñon Hills Community Services District (CSD)

   MAILING ADDRESS: 4176 Warbler Road
   Phelan, CA 92371

   PHONE: (760) 868-1212

   FAX: (760) 868-2323

   E-MAIL ADDRESS: dbartz@pphcsd.org

3. GENERAL LOCATION OF PROPOSAL:

   The Phelan Piñon Hills CSD's sphere of influence (SOI) expansion proposal includes an area located within the unincorporated San Bernardino County, adjacent to the existing CSD's northern boundary. The annexation would also require an expansion of the existing CSD sphere of influence boundary and would include five properties within the SOI expansion area: 0457-102-06, 0457-102-10, 0457-112-01, 0457-161-10, and 0457-102-09.

4. Does the application possess 100% written consent of each landowner in the subject territory?
   YES ___ NO _X__ If YES, provide written authorization for change.

5. Indicate the reasons that the proposed action has been requested.

   The Phelan Piñon Hills CSD obtained ownership of former dairy farm lands for additional water rights. Currently, property taxes of $29,264 are being paid for these properties that are outside of the current CSD boundary. One parcel is still in the process of being transferred to Phelan Piñon Hills CSD ownership. Upon the transfer, the Phelan Piñon Hills CSD property taxes would become $31,359. Upon expansion of the CSD's Sphere of Influence and annexation of the five (5) subject properties into the district, the

CSD can apply for property tax exempt status since these parcels would be within a governmental boundary. Also, the CSD would be able to provide a higher level of services to the annexation area for management of collection, transfer, and disposal of solid waste and parks and recreation, and would extend water service and street lighting service under the appropriate economic conditions only when extension of these services would be feasible.

6. Would the proposal create a totally or substantially surrounded island of unincorporated territory? YES _X__ NO If YES, please provide a written justification for the proposed boundary configuration.

The annexation of the five (5) subject properties are only for the purposes of additional water rights for the PPHCSD and not for the purpose of development or urbanization.

LAND USE AND DEVELOPMENT POTENTIAL

1. Total land area (defined in acres):

Estimated acres in the proposed sphere expansion/reorganization area totals 2.078.

2. Current dwelling units in area classified by type (Single Family detached, multi-family (duplex, four-plex, 10-unit), apartments)

Census 2010 estimated four (4) single family detached housing units for the sphere expansion/reorganization area.

3. Approximate current population in area:

U. S. Census 2010 total estimated population in the proposed sphere expansion/reorganization area is six (6).

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):

Agriculture
Industrial
Rural Living-5 (5 acre minimum lot size)
Rural Living (2.55 acre minimum lot size)

5. Describe any special land use concerns expressed in the above plans. In addition, for a City Annexation or Reorganization, provide a discussion of the land use plan's consistency with the regional transportation plan as adopted pursuant to Government Code Section 65080 for the subject territory:

Not applicable

(FOR LAFCO USE ONLY)

6. Indicate the existing land use.

Dairy – 157 acres
Field Crops – 240 acres
Heavy Industrial – 112 acres
Misc. Residential Structure – 5 acres
Stable – 5 acres
Vacant Land – 1,195 acres
Water Well Site – 364 acres

What is the proposed land use?

No proposed land use changes although the Dairy is no longer operating and the property will be used to provide water rights to PPHC SD.

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

Not applicable

a. Has pre-zoning been completed? YES ___ NO _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.

Not applicable

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

_____

_____

_____

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

X Agricultural Land Uses ☐ Agricultural Preserve Designation

☐ Williamson Act Contract ☐ Area where Special Permits are Required

☐ Any other unusual features of the area or permits required: _____

_____

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

No Williamson Act Contracts exist within the sphere expansion/reorganization area, according to the Williamson Act map of San Bernardino County (north) from the California Department of Conservation, Division of Land Resource Protection.

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

The Phelan Piñon Hills CSD currently practices environmental justice in providing the following four (4) public services within its existing boundaries: 1) water; 2) solid waste management; 3) parks and recreation; and, 4) street lighting. The CSD will continue to practice the principals of environmental justice upon annexation into the CSD.

Currently, the CSD provides domestic water and water quality services to residents within the CSD boundaries, except for residents or businesses within the Sheep Creek Mutual Water Company boundary. These services are not anticipated to be extended to the properties within annexation area. However, if they are extended, it would only be under the proper economic and development conditions, and would be the cost responsibility of the affected property owners.

Phelan Piñon Hills CSD provides street lighting in the business district and on selected public rights-of-way and intersections generally in and around the downtown Phelan area. While the annexation area will have access to the street lighting services that the Phelan Piñon Hills CSD operates, no street lighting services are anticipated to be provided at this time. These services would only be extended under the proper economic and development conditions, and with future residents of these areas subject to any applicable costs.

ENVIRONMENTAL INFORMATION

1. Provide general description of topography.

The sphere expansion/reorganization area is located in a relatively level area of the High Desert region in San Bernardino County.

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

Residential	0.00%	Agricultural	0.001%
Commercial	0.00%	Vacant	0.00%
Industrial	1.10%	Other	0.80%

3. Describe the surrounding land uses:

NORTH Agricultural and Vacant

EAST Residential and Vacant

SOUTH Vacant

(FOR LAFCO USE ONLY)

WEST Residential and Vacant

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

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

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

The proposed sphere expansion/reorganization area currently relies on San Bernardino County Solid Waste Management Division (SWMD) under contract with AVCO/Burrtec for solid waste disposal services, source reduction, recycling and composting activities. The Phelan Piñon Hills CSD contracts with CR&R to provide these same services within the Phelan Piñon Hills CSD boundary. After the annexation, the Phelan Piñon Hills CSD would arrange for the waste handling services within the proposed annexation area within the legislatively specified time period.

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

(FOR LAFCO USE ONLY)

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 Don Bartz, General Manager TELEPHONE NO. (760) 868-1212

ADDRESS: 4176 Warbler Road
Phelan, CA 92371

CERTIFICATION

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

As the proponent, I/We acknowledge that annexation to the Phelan Piñon Hills Community Services District may result in the imposition of taxes, fees, and assessments existing within the district on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIIID 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 6/22/2015

D-R
SIGNATURE OF APPLICANT

DON BARTZ
PRINTED NAME OF APPLICANT

GENERAL MANAGER
TITLE

(FOR LAFCO USE ONLY)

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

3194

(FOR LAFCO USE ONLY)

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	DETACHED FROM
Phelan Piñon Hills Community Services District	CSA 70P-6 Park District

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. Within the proposed annexation area (properties: 0457-102-06; 0457-102-10; 0457-112-01; 0457-161-10; and 0457-102-09), there is a per parcel charge of $9.30 that is collected for CSA 70P-6 Park District. However, upon annexation, these parcels would be detached from CSA 70 Zone P-6, and any parcel charges would be exempted from payment by the district.

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.

   The SCAG fair share housing requirements do not apply to the Phelan Piñon Hills CSD for the proposed annexation area. The County is and will remain the land use authority for the annexation. No change in land use will occur by the proposed annexation to the Phelan Piñon Hills CSD, and no significant development is planned for the annexation area for the next five (5) years. Future development would have to meet the County's fair share of regional housing needs as determined by SCAG.

5. **PLAN FOR SERVICES**:

   For each item identified for a change in service provider, a narrative "Plan for Service" (required by Government Code Section 56653) must be submitted. This plan shall, at a minimum, respond to each of the following questions and be signed and certified by an official of the annexing agency or agencies.

   1. A description of the level and range of each service to be provided to the affected territory.

   2. An indication of when the service can be feasibly extended to the affected territory.

3. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.

4. The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.

5. An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.

6. If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

The *Plan for Service and Fiscal Analysis, Sphere of Influence Expansion and Annexation Study, Phelan Piñon Hills Community Services District, County of San Bernardino, February 9, 2015*, prepared by Stanley R. Hoffman Associates, Inc. is submitted with this application.

CERTIFICATION

As a part of this application, the Phelan Piñon Hills Community Services 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 Phelan Piñon Hills Community Services District may result in the imposition of taxes, fees, and assessments existing within the district on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIIID 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 6/22/2015 _____

SIGNATURE OF APPLICANT

/REVISED: krm – 8/15/2012

3194

Plan for Service and Fiscal Impact Analysis: Sphere of Influence Expansion and Annexation Study

Phelan Piñon Hills Community Services District
County of San Bernardino

Prepared for:

Phelan Piñon Hills Community Services District
4176 Warbler Road
Phelan, CA 92371
Attn: Don Bartz, General Manager
(760) 868-1212

February 9, 2015

SRHA Job #1261

STANLEY R. HOFFMAN ASSOCIATES

11661 San Vicente Blvd. Suite 306
Los Angeles, California 90049-5111
310.820.2680-p, 310.820.8341-f
www.stanleyrhoffman.com

CERTIFICATION

The Phelan Piñon Hills Community Services District hereby certifies that this document presents the data and information required for the Plan for Service and Fiscal Impact Analysis for the *Phelan Piñon Hills Community Services District Sphere of Influence Expansion and Annexation Study* 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 6/22/2015

SIGNATURE OF APPLICANT

Don Bartz, General Manager
Phelan Piñon Hills Community Services District

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EXECUTIVE SUMMARY

Proposed Boundary Changes. The Phelan Piñon Hills Community Services District (CSD) proposes to expand its boundaries in the following steps:

1) First, a Sphere of Influence (SOI) expansion is proposed, as shown in Table 1 and Figure 1. As shown in Table 1, this would encompass about 2,078 acres on fifty seven (57) parcels with an estimated 4 housing units and 6 persons; additionally, one facility with an estimated 50 employees is within the proposed sphere of influence expansion area.

2) Second, this is to allow the Phelan Piñon Hills CSD to subsequently annex recently purchased agricultural parcels within the proposed SOI area into its existing boundary, as shown in Table 2 and Figure 2. The Phelan Piñon Hills CSD obtained ownership of former dairy farm lands for additional water rights. Currently, as shown in Table 2, the proposed annexation areas includes five (5) parcels, totaling about 475 acres with no existing population, housing units, or employment.

The Phelan Piñon Hills CSD is currently responsible for providing selected public services within its boundary, including water services, management of collection, transfer, and disposal of solid waste, parks and recreation, and street lighting services. These services would be authorized to be extended by the Phelan Piñon Hills CSD to the annexation areas under appropriate conditions, although because there is no existing or planned development within the proposed annexation areas, these services are not planned to be extended.

The County of San Bernardino provides other services, such as general government, selected countywide services, sheriff patrol, and land management and development services. In addition, various County special districts provide fire and emergency services, transportation and roads, libraries, flood control and school districts. These services provided by the County of San Bernardino and selected special districts are not proposed to change.

The Local Agency Formation Commission (LAFCO) for San Bernardino County requires a jurisdiction to submit a Plan for Service and Fiscal Impact Analysis when the jurisdiction is affected by a proposed change in boundaries, formation, or organization. The purpose of this study is to show that any required infrastructure or service responsibilities of the Phelan Piñon Hills CSD can be provided to the proposed annexation areas that meet LAFCO's requirements.

Table 1
Summary of Demographics and Land Use
PPHCSD Proposed Sphere of Influence (SOI) Area

Variable	Total
Population	6
Housing Units	4
Parcels	57
Employment (jobs)	50
Sphere of Influence Acres	2,078

1. Estimated population and housing units are based on data from the 2010 U.S. Census; parcel information is from the County Assessor's parcel file; and estimated employment is based on information from CSD staff.

Sources: Stanley R. Hoffman Associates, Inc.
U.S. Census, 2010
San Bernardino County Assessor
Phelan Piñon Hills CSD

Table 2
Summary of Demographics and Land Use
PPHCSD Proposed Annexation Area

Variable	Total
Population	0
Housing Units	0
Parcels	5
Employment (jobs)	0
Annexation Acres	475

1. The proposed annexation parcels do not have any existing population, housing units or employment.

Sources: Stanley R. Hoffman Associates, Inc.
U.S. Census, 2010
San Bernardino County Assessor
Phelan Piñon Hills CSD

Figure 1
Regional Map
PPHCSD Proposed SOI Expansion Area

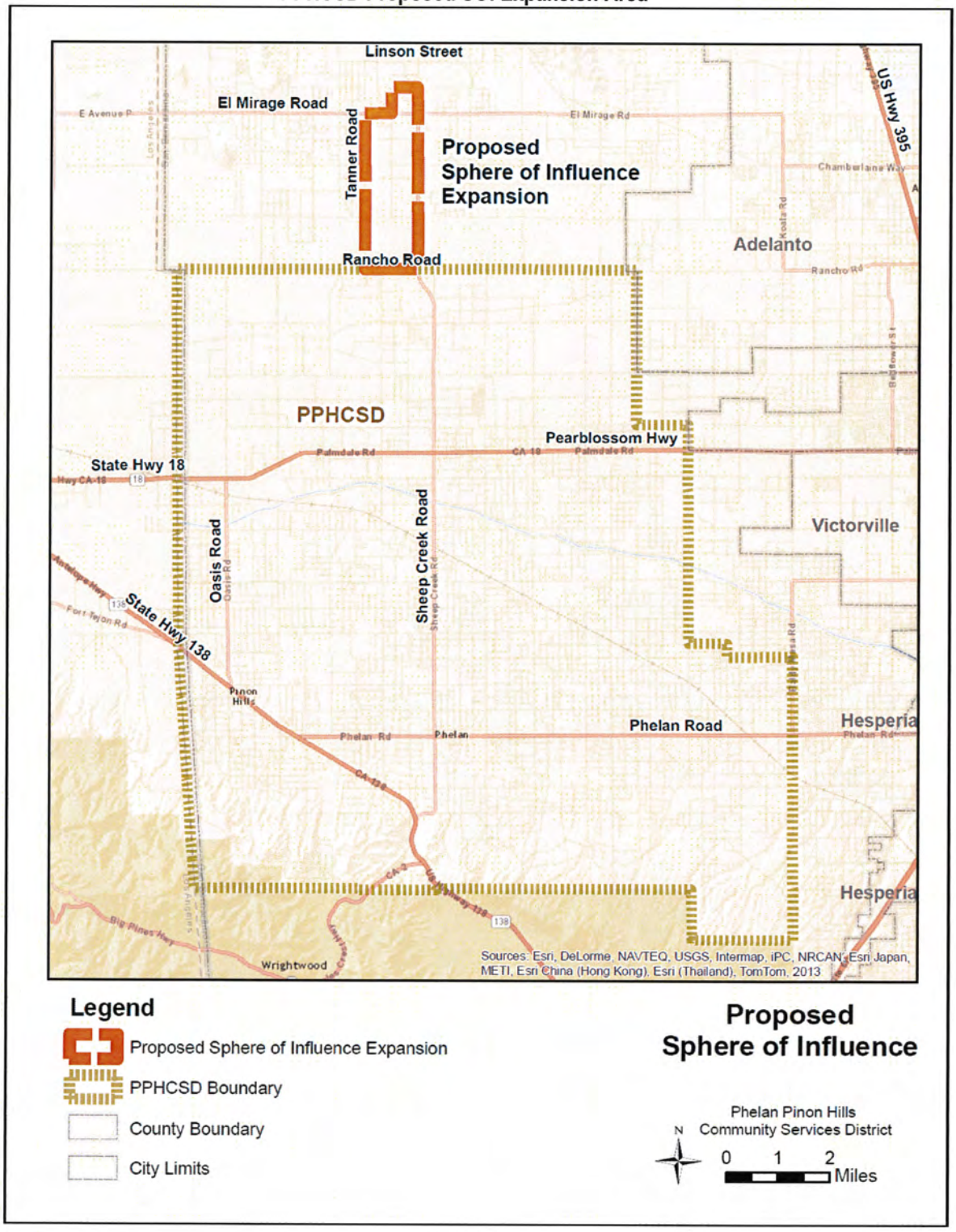
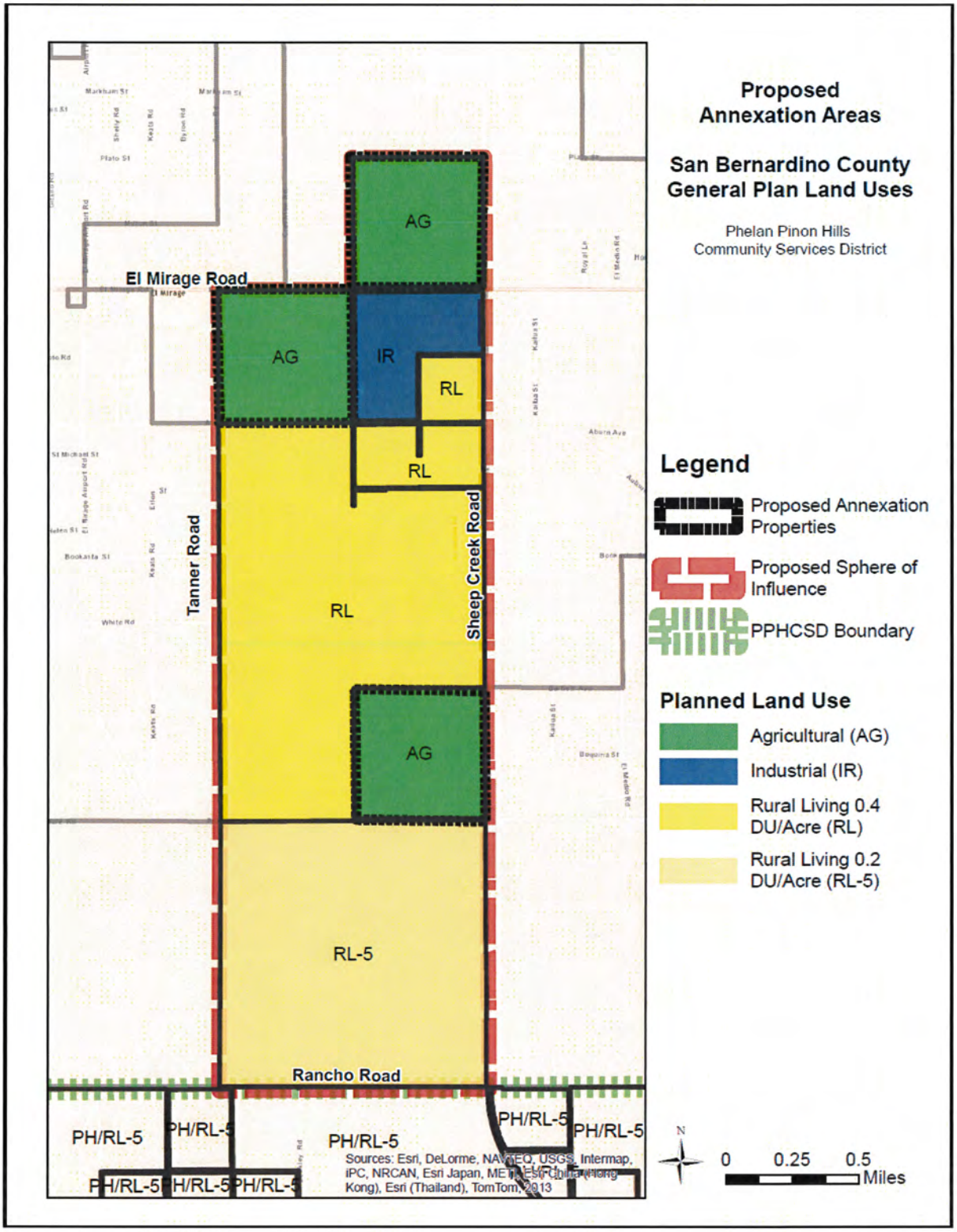


Figure 2
PPHCSD Proposed SOI and Annexation Areas



Estimated Fiscal Impacts. As shown in Table 3, the revenue impact is estimated as a property tax savings of $31,359 to the PPHCSD upon annexation. This is based on the district obtaining a public agency property tax exemption upon annexation. As shown in Table 1, four (4) of the parcels are owned by the district and a fifth parcel is in the process of remediation. Upon completion of this process, the ownership of this parcel would transfer to the PPHCSD.

The solid waste handling program is estimated to generate no additional ongoing revenue to the PPHCSD from the annexation. Other public services provided by the district, such as water services, parks and recreation and street lighting services, would experience no fiscal impact because no services by the district are anticipated to be extended to the annexation parcels.

The parcels within the proposed annexation area are currently provided park and recreation services by the CSA 70 Zone P-6 and there is a per parcel charge of $9.30 that is collected for the area as shown on the parcel bills in Appendix Figures A-1 through A-5. However, upon annexation, these parcels would be detached from CSA 70 Zone P-6, and any parcel charges would be exempted from payment by the district.

Table 3
Annexation Parcels
PPHCSD Proposed Annexation Area

APN	Parcel Ownership	Parcel Acres	Total Property Tax (2013)
0457-102-06	Phelan Piñon Hils CSD	77.13	$5,389
0457-102-10 [1]	Phelan Piñon Hils CSD	75.09	$5,247
0457-112-01	Phelan Piñon Hils CSD	163.15	$8,088
0457-161-10	Phelan Piñon Hils CSD	157.48	$10,540
	Current Total	***472.85***	***$29,264***
0457-102-09 [2]	Meadowbrook Dairy Real Estate, LLC [2]	2.11	$2,095
	Future Total	***474.95***	***$31,359***

1. APNs 0457-102-09 and 0457-102-10 are the results of a split from APN 0457-102-05.
2. APN 0457-102-09 is under the ownership of Meadowbrook Dairy Real Estate, LLC, pending the the completion of a remediation project on the property. After the remediation is completed, the the land will transfer over to the Phelan Piñon Hills CSD.

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Office of the Assessor

CHAPTER 1
INTRODUCTION

1.1 Purpose of the Study

The Local Agency Formation Commission (LAFCO) for San Bernardino County requires a jurisdiction to submit a Plan for Service and Fiscal Impact Analysis when the jurisdiction is affected by a proposed change in boundaries, formation, or organization. The Phelan Piñon Hills Community Services District (CSD) proposes to expand its sphere of influence north of its existing boundary as shown in Figure 1-1. The Sphere of Influence (SOI) expansion would allow the annexation of existing, but no longer active, agricultural properties into the Phelan Piñon Hills CSD boundaries.

The Phelan Piñon Hills CSD is currently responsible for providing selected public services within its boundary, including water services, management of collection, transfer, and disposal of solid waste, parks and recreation, and street lighting services. These services would be authorized to be extended by the Phelan Piñon Hills CSD to the annexation areas under appropriate conditions.

The Phelan Piñon Hills Community Services District (CSD) proposes to expand its boundaries in the following steps:

1) First, a Sphere of Influence (SOI) expansion is proposed, as shown in Table 1 and Figure 1. As shown in Table 1, this would encompass about 2,078 acres on fifty seven (57) parcels with an estimated 4 housing units and 6 persons; additionally, one facility with an estimated 50 employees is within the proposed sphere of influence expansion area.

2) Second, this is to allow the Phelan Piñon Hills CSD to subsequently annex recently purchased agricultural parcels within the proposed SOI area into its existing boundary, as shown in Table 2 and Figure 2. The Phelan Piñon Hills CSD obtained ownership of former dairy farm lands for additional water rights. Currently, as shown in Table 2, the proposed annexation areas includes five (5) parcels, totaling about 475 acres with no existing population, housing units, or employment.

The County of San Bernardino provides other services, such as general government, selected countywide services, sheriff patrol, and land management and development services. In addition, various County special districts provide fire and emergency services, transportation and

roads, libraries, flood control and school districts. These services provided by the County of San Bernardino and selected special districts are not proposed to change.

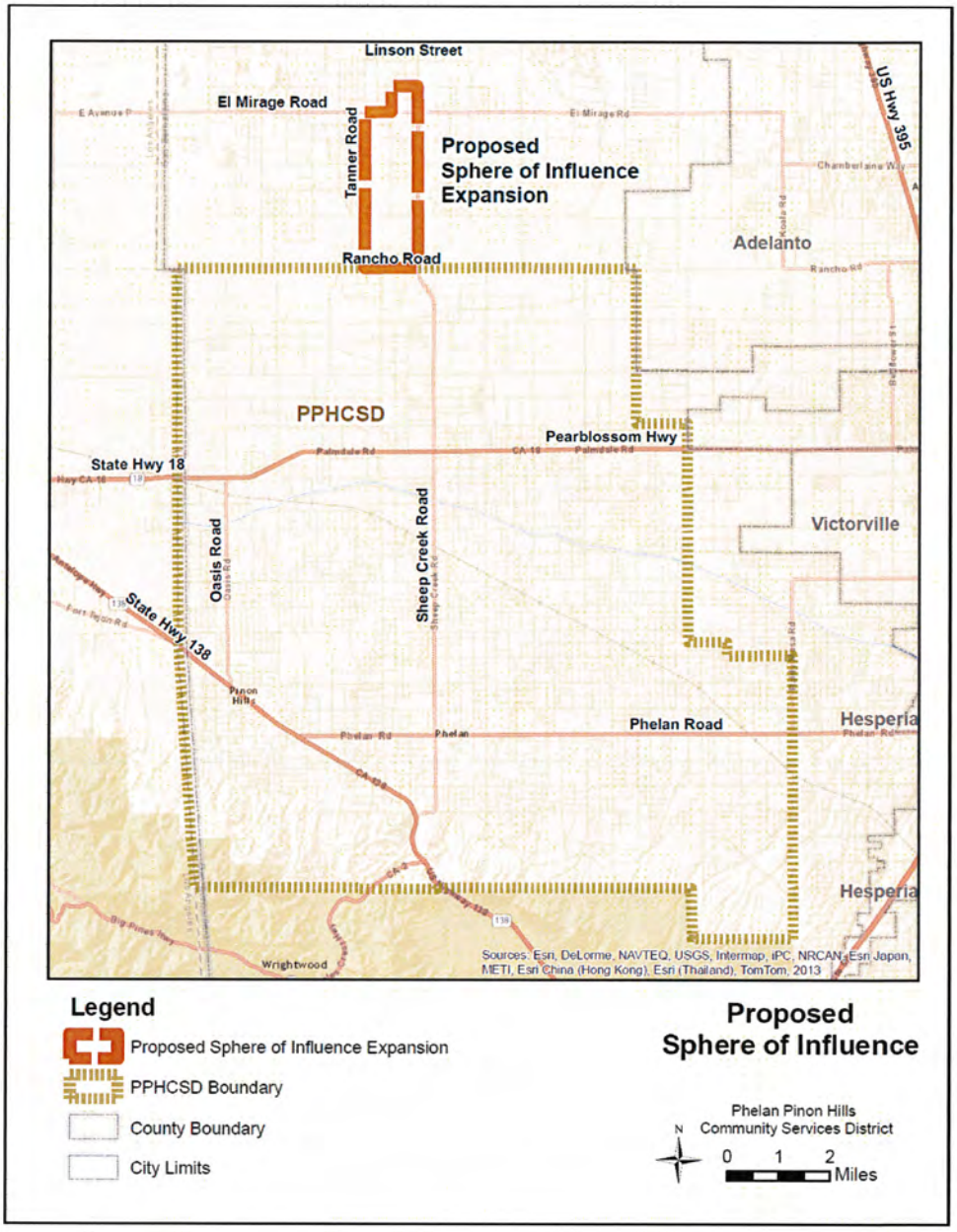
The purpose of this study is to show that the selected infrastructure improvements and services can be provided to developments within the annexation areas that meet the appropriate service criteria. Per the LAFCO August 2012 *Policy and Procedure* Manual, the Plan for Service must include the following components:

a. *A description of the level and range of each service to be provided to the affected territory.*
b. *An indication of when those services can feasibly be extended to the affected territory.*
c. *An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.*
d. *The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.*
e. *An indication of whether the affected territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.*
f. *If retail water service is to be provided through this change of organization, provide a description of the timely availability of water for projected needs within the area based upon the factors identified in Government Code Ch3 65352.5.*

1.2 Rationale for the Proposed Annexations

The Phelan Piñon Hills CSD obtained ownership of former dairy farm lands for additional water rights. Currently, property taxes of $29,264 are being paid for these properties that are outside of the current CSD boundary. One parcel is still in the process of being transferred to Phelan Piñon Hills CSD ownership. Upon the transfer, the Phelan Piñon Hills CSD property taxes would become $31,359. Upon expansion of the CSD's Sphere of Influence and annexation into the district, the CSD can apply for property tax exempt status since these parcels would be within a governmental boundary.

Figure 1-1
Regional Map
PPHCSD Proposed SOI Expansion Area



1.3 Organization of the Report

Chapter 1 explains the purpose of the study and the rationale for sphere of influence expansion and the annexation of the proposed former dairy farm areas into the Phelan Piñon Hills CSD. Chapter 2 provides a description of the existing residential and non-residential development within the area and the growth potential in the annexation area over a projected five-year period. It also presents the County of San Bernardino General Plan Land Uses. Chapter 3 describes the

services provided both "before" and "after" the proposed annexation. Chapter 4 discusses the fiscal impact analysis of the new services for the annexation areas. The report concludes with supporting appendices and a list of the project references used in the preparation of this report.

CHAPTER 2
PROJECT DESCRIPTION

2.1 Existing Development in the SOI Area

Table 2-1 shows building and parcel square feet, and acres, for existing land uses in the proposed sphere of influence (SOI) expansion area by category. The total building and parcel square footages were aggregated using parcel files from the office of the County Assessor which shows about $9.9 million of total assessed valuation. Development is only shown in the field crop and stable categories with an estimated total of 2,614 building square feet. The agricultural properties once had operational dairies, which are now closed. There is also an industrial facility building, estimated at about 56,500 from Google Earth for Aerochem, Inc. There are also four (4) dwelling units within the SOI expansion area, but the current assessor's file does not show any residential square feet for these units. Overall, the total property within the proposed SOI expansion area is estimated at 2,078 acres. The proposed annexation area consists primarily of vacant agricultural land, which is estimated at about 475 acres, about 23 percent of the total SOI expansion area.

Figure 2-1 shows existing land uses for the proposed SOI expansion area, including agricultural, industrial, and single-family residential designated land uses. Based on data from the U.S. Census, the proposed SOI expansion area had four (4) housing units and an estimated population of six (6) in 2010. The total employment was estimated at 50 jobs for the area for Aerochem, Inc. by Phelan Piñon Hills CSD staff.

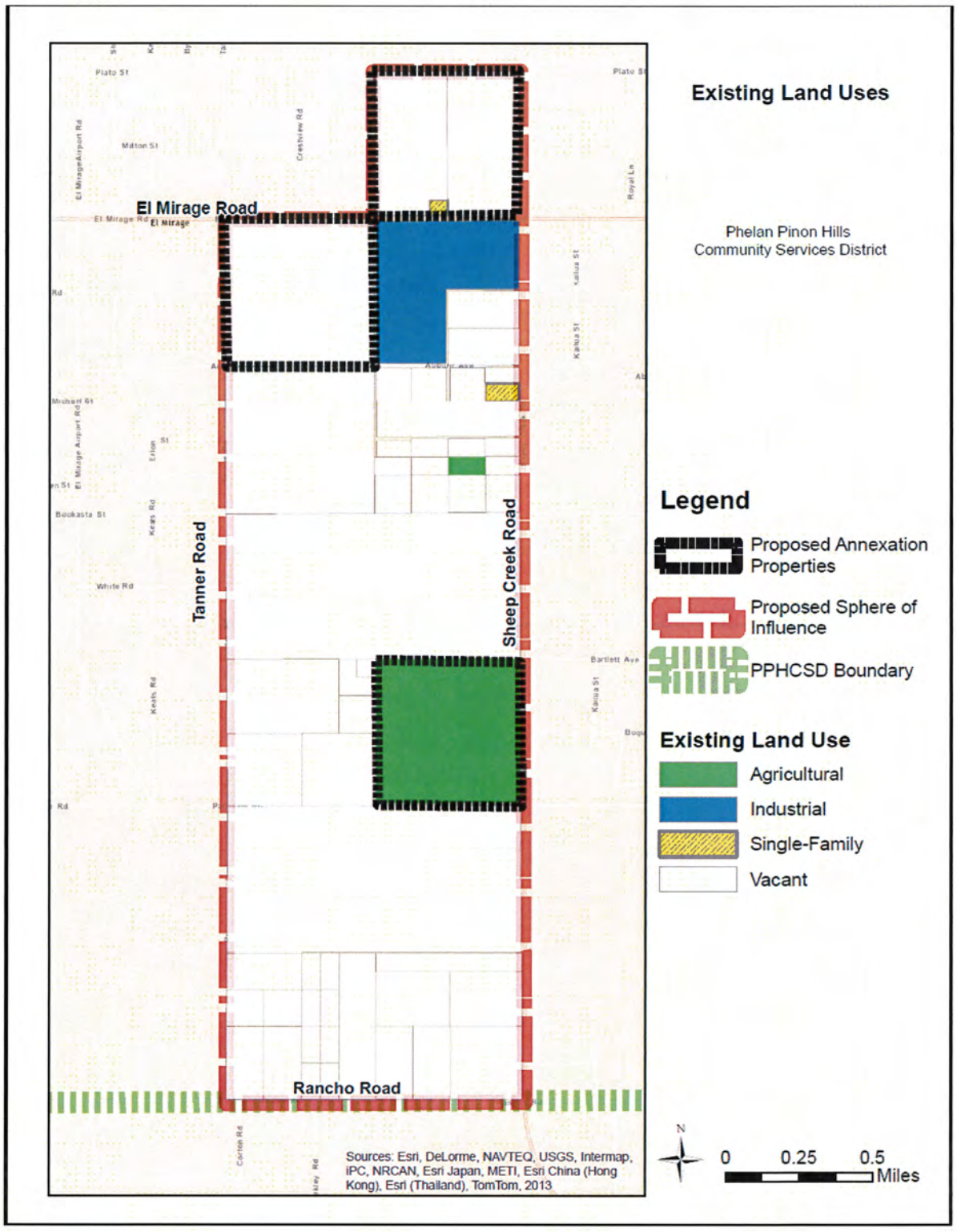
Table 2-1
SOI Area Existing Square Feet and Acres by Land Use
PPHCSD Proposed SOI Expansion Study

Land Use Category	Building Square Feet	Parcel Square Feet	Parcel Acres	Parcel Acres as % of Total Acres	Land Value (2013)	Improvement Value (2013)	Total Value (2013)
Dairy	0	6,859,868	157	8%	$466,168	$2,606,420	$3,072,588
Field Crops	920	10,466,199	240	12%	$607,029	$75,877	$682,906
Heavy Industrial [1]	56,500	4,889,173	112	5%	$113,022	$1,310,320	$1,423,342
Misc. Residential Structure[2]	0	204,833	5	0%	$41,829	$21,017	$62,846
Stable	1,694	222,187	5	0%	$22,639	$88,889	$111,528
Vacant Land	0	52,048,128	1,195	57%	$3,898,018	$0	$3,898,018
Water Well Site	0	15,847,318	364	18%	$657,975	$10,000	$667,975
Total	***59,114***	***90,537,706***	***2,078***	***100%***	***$5,806,680***	***$4,112,523***	***$9,919,203***

1. The 56,500 square feet of heavy industrial building space was estimated using Google Earth.
2. While the 2010 U.S. Census shows 4 dwelling units within the SOI area, the current assessor file does not show any residential square feet.

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Office of the Assessor
Google Earth

Figure 2-1
Existing Land Uses
PPHCSD Proposed SOI Expansion Area



2.2 Land Transfer

Two deeds were granted to the Phelan Piñon Hills CSD in 2012 and 2013. Meadowbrook Dairy Real Estate, LLC transferred assessor parcel numbers (APNs) 0457-102-05, 0457-102-06, and 0457-161-10 to Phelan Piñon Hills CSD as donation properties in April of 2013. Meadowbrook Dairy Real Estate, LLC also transferred parcel number 0457-112-01 in December of 2012. Both transactions give the Phelan Piñon Hills CSD rights to 2,335 acre feet of water on the transferred properties, which are within the proposed annexation areas. The APN 0457-102-05 was split into two parcels numbered 0457-102-09 and 0457-102-10. As of December 2013, the parcel numbered 0457-102-09 has not yet been transferred to the Phelan Piñon Hills CSD due the landowner's need to complete remediation work on a gasoline tank on that portion of the property. Table 2-2 presents the APN, parcel ownership, and parcel acres, based on information from the County Assessor and as shown in Figure 2-2. Upon completion of the remediation on APN 0457-102-09, the proposed annexation area will include 474.95 acres that are either currently owned or will be owned by the Phelan Piñon Hills CSD via an agreement with the Meadowbrook Dairy.

Table 2-2
Annexation Parcels
PPHCSD Proposed Annexation Area

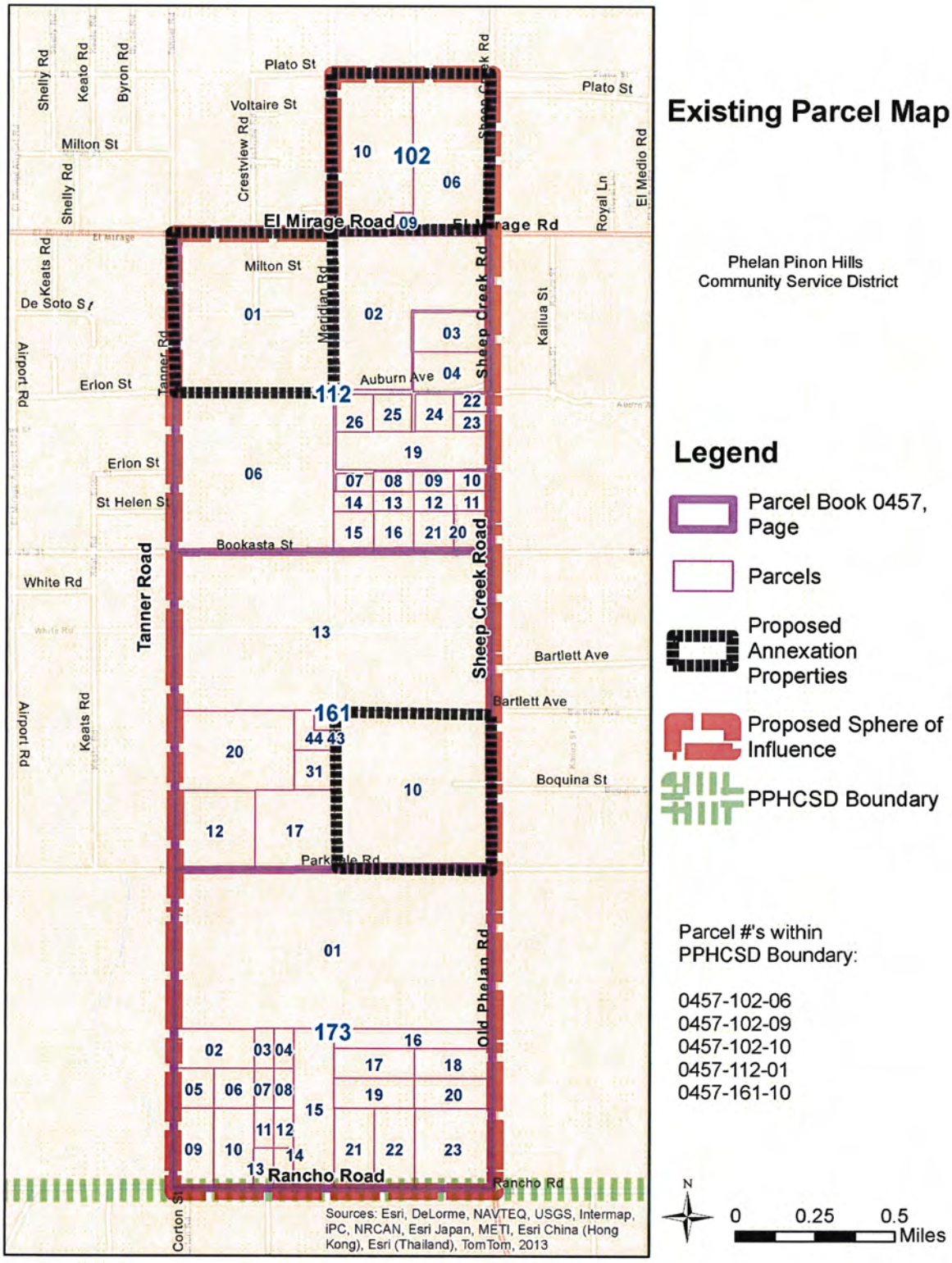
(In Constant 2013 Dollars)

APN	Parcel Ownership	Parcel Acres
0457-102-06	Phelan Piñon Hils CSD	77.13
0457-102-10 [1]	Phelan Piñon Hils CSD	75.09
0457-112-01	Phelan Piñon Hils CSD	163.15
0457-161-10	Phelan Piñon Hils CSD	157.48
	Current Total	***472.85***
0457-102-09 [1]	Meadowbrook Dairy Real Estate, LLC [2]	2.11
	Future Total	***474.95***

1. APNs 0457-102-09 and 0457-102-10 are the results of a split from APN 0457-102-05.
2. APN 0457-102-09 is under the ownership of Meadowbrook Dairy Real Estate, LLC, pending the completion of a remediation project on the property. After the remediation is completed, the land will transfer over to the Phelan Piñon Hills CSD.

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Office of the Assessor

Figure 2-2
Proposed Annexation Area Parcels
PPHCSD Proposed SOI Expansion Area



2.3 General Plan Land Uses

Figure 2-3 shows the General Plan land use designations for the proposed SOI expansion area, which includes Agriculture, Industrial, Rural Living-5 (5 acre minimum lot size) and Rural Living (2.5 acre minimum lot sizes) land use designations. No Williamson Act contracts exist within the annexation area, according to the Williamson Act Map of San Bernardino County (north) from the California Department of Conservation, Division of Land Resource Protection.

Figure 2-3
General Plan Land Uses
PPHCSD Proposed SOI Expansionand Annexation Area

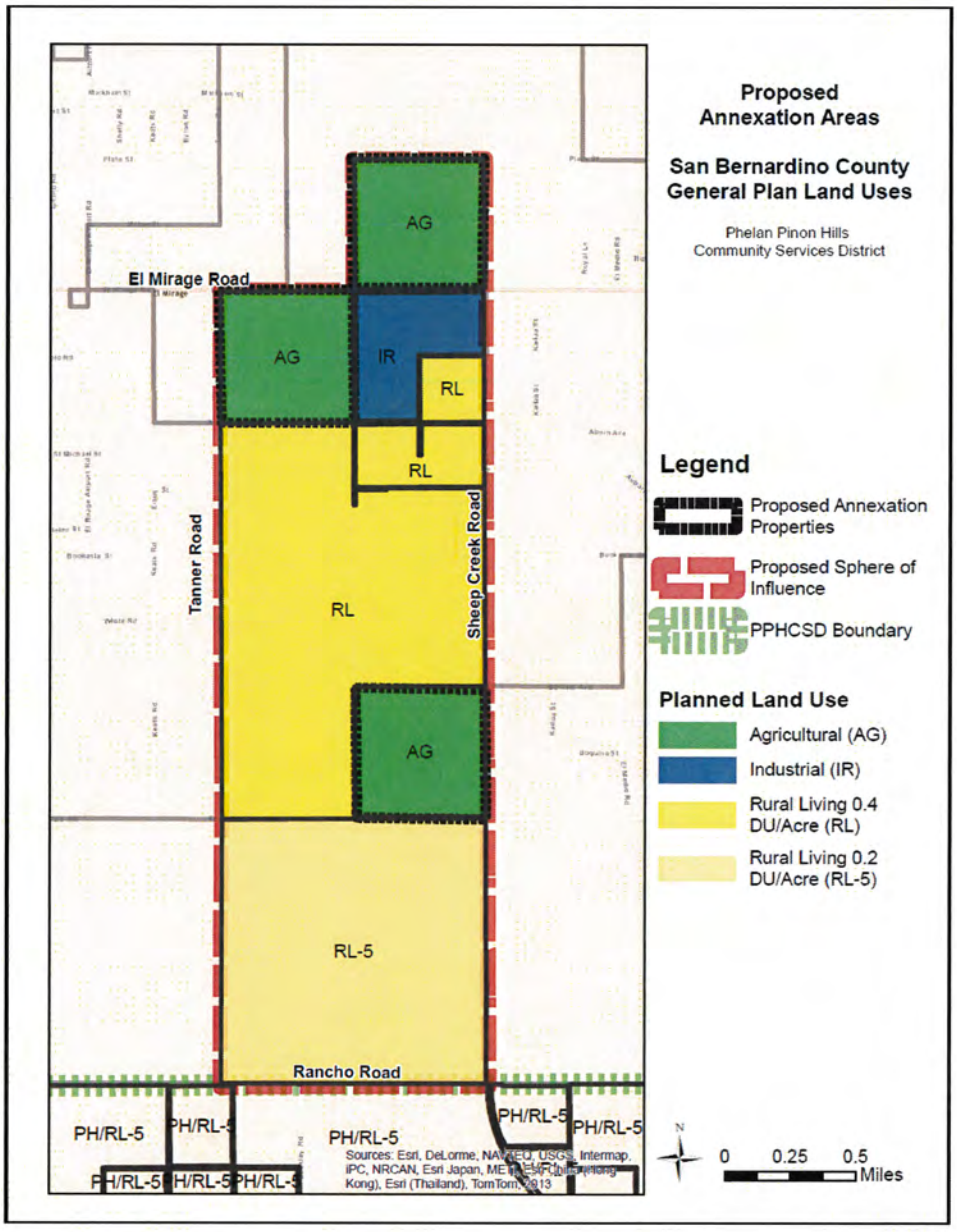


Table 2-3 shows the estimated buildout land uses and demographics for the proposed SOI expansion area. The Agriculture (AG), Rural Living (RL), Rural Living-5 (RL-5), and Industrial (IR) General Plan land use categories total an estimated about 2,078 acres. Maximum residential densities are estimated at 0.10 units per agricultural acre, 0.40 units per Rural Living acre, and 0.20 units per Rural Living-5 acre, yielding a total of about 514 residential units at buildout. Based on population and household statistics from the 2010 U.S. Census, the estimated persons per household within the existing CSD boundaries was 3.03 persons per household. When this is held constant to project estimated buildout residential population, the result is 1,557 in population at buildout.

Table 2-3
Estimated Buildout Land Uses and Demographics
PPHCSD Proposed SOI Expansion Area

	Land Uses			Demographics		
General Plan Land Use Category	Estimated Square Feet	Estimated Acres [1]	Maximum Residential Density (Units/Acre)	Persons per Household [2]	Residential Units	Population
Agriculture (AG)	20,688,867	475	0.10	3.03	47	142
Rural Living (RL)	36,657,739	842	0.40	3.03	337	1,021
Rural Living-5 (RL-5)	28,301,927	650	0.20	3.03	130	394
Industrial (IR)	4,889,173	112	N/A	N/A	N/A	N/A
Total	***90,537,706***	***2,078***			***514***	***1,557***

1. Numbers may not add exactly due to rounding.
2. The average persons per household of 3.03 is based on data for the Phelan Piñon Hils CSD from the 2010 U.S. Census.

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Office of the Assessor
U.S. Census Bureau, 2010

2.4 Projected Five-Year Growth

The current expectations regarding the projected five-year growth in the proposed SOI expansion area is that no significant change will occur over the next five years based on discussions with the Phelan Piñon Hills CSD staff. Also, there are no plans to develop the Phelan Piñon Hills CSD properties, since the recent land acquisitions were intended to expand the CSD's water rights capacity.

2.5 Assessed Valuation

Table 2-4 shows the assessed land and improvement valuation by land use category for the proposed SOI expansion area in 2013. Overall, assessed valuation is estimated at about $9.9 million, with land value estimated at about $5.8 million (59 percent of the total value), and improvement value estimated at about $4.1 million (41 percent of the total value).

Table 2-5 shows the assessed valuation and total property taxes for the four parcels under Phelan Piñon Hills CSD ownership, plus the parcel currently owned by Meadowbrook Dairy Real Estate that will be transferred to the CSD after remediation activity on the property is finished. There are several remaining structures on the abandoned dairy properties and a number of these will be demolished. However, there are a few structures that may still be usable, and may be leased to private entities on an interim basis when possible. Additionally, there are several residential structures, including mobile homes that are not considered habitable, and will be demolished.

As shown in Table 2-5, in 2013, the four (4) CSD-owned parcels had a total assessed value of about $2.2 million. A total of $29,264 was billed in property taxes. When the additional parcel is transferred to Phelan Piñon Hills CSD with an assessed valuation of $144,835, the total assessed value will be estimated at about $2.4 million and the CSD's total property tax will be $31,359 based on the 2013 property tax roll.

Table 2-4
Assessed Valuation: 2013
PPHCSD Proposed SOI Expansion Area
(In Constant 2013 Dollars)

Land Use Category	Land Value (2013)	Improvement Value (2013)	Total Value (2013)
Dairy	$466,168	$2,606,420	$3,072,588
Field Crops	$607,029	$75,877	$682,906
Heavy Industrial [1]	$113,022	$1,310,320	$1,423,342
Misc. Residential Structure[2]	$41,829	$21,017	$62,846
Stable	$22,639	$88,889	$111,528
Vacant Land	$3,898,018	$0	$3,898,018
Water Well Site	$657,975	$10,000	$667,975
Total	***$5,806,680***	***$4,112,523***	***$9,919,203***

1. The 56,500 square feet of heavy industrial building space was estimated using Google Earth.
2. The 2010 U.S. Census shows 4 dwelling units within the SOI area.

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Office of the Assessor
Google Earth

Table 2-5
Assessed Valuation and Total Taxes: 2013
PPHCSD Proposed Annexation Area
(In Constant 2013 Dollars)

APN	Parcel Ownership	Land Value (2013)	Improvement Value (2013)	Total Assessed Value (2013)	Total Property Tax (2013)
0457-102-06	Phelan Piñon Hils CSD	$398,342	$0	$398,342	$5,389
0457-102-10 [1]	Phelan Piñon Hils CSD	$387,810	$0	$387,810	$5,247
0457-112-01	Phelan Piñon Hils CSD	$598,560	$0	$598,560	$8,088
0457-161-10	Phelan Piñon Hils CSD	$235,773	$594,348	$830,121	$10,540
	Current Total	***$1,620,485***	***$594,348***	***$2,214,833***	***$29,264***
0457-102-09 [1]	Meadowbrook Dairy Real Estate, LLC [2]	$8,038	$136,797	$144,835	$2,095
	Future Total	***$1,628,523***	***$731,145***	***$2,359,668***	***$31,359***

1. APNs 0457-102-09 and 0457-102-10 are the results of a split from APN 0457-102-05.
2. APN 0457-102-09 is under the ownership of Meadowbrook Dairy Real Estate, LLC, pending the completion of a remediation project on the property. After the remediation is completed, the land will transfer over to the ownership of the Phelan Piñon Hils CSD.

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Office of the Assessor

CHAPTER 3
PUBLIC FACILITIES AND SERVICES BEFORE AND AFTER ANNEXATION

San Bernardino County Government provides a number of services within the proposed annexation area. Many of these services will continue to be provided by San Bernardino County after the proposed annexation. Upon annexation of the proposed annexation areas, San Bernardino County would remain the service provider for its respective services while the Phelan Piñon Hills CSD would then be authorized to provide its services to the newly annexed area. Under the proper economic and development conditions, some services that the Phelan Piñon Hills CSD provides within its existing boundary could be extended on an as-needed basis.

There are three broad categories of service providers, which are summarized below and presented in detail in Table 3-1:

1. **County Government/ Special Districts/Other Public Agencies**
   - General Government Services
   - Community Development
   - Sheriff
   - Animal Control
   - Fire and Paramedic
   - Flood Control and Drainage
   - Health and Welfare
   - Library
   - Schools
   - Transportation
2. **Phelan Piñon Hills Community Services District**
   - CSD Administration
   - Water Service
   - Solid Waste Handling Services
   - Parks and Recreation
   - Street Lighting
3. **Private Utilities**
   - Cable/Internet Provider
   - Power
   - Telephone
   - Natural Gas

3.1 General Government

Before Annexation and After Annexation. The County of San Bernardino provides General Government services, including: all Administrative services, Community Development services and Economic Development services to the Phelan Piñon Hills CSD and the annexation areas. After the annexation, the area will continue to receive all general government services from the County of San Bernardino.

Table 3-1
Services Providers Before and After Annexation
Phelan Piñon Hills Community Services District

Category of Service	Service Providers in Proposed Annexation Area	
	Before Annexation	After Annexation
General Government - Admin.		
Services:		
Finance Division	San Bernardino County	San Bernardino County
Human Resources Division	San Bernardino County	San Bernardino County
Business Registration	San Bernardino County	San Bernardino County
Community Development:		
Planning	San Bernardino County	San Bernardino County
Building & Safety	San Bernardino County	San Bernardino County
Code Compliance	San Bernardino County	San Bernardino County
Sheriff	San Bernardino County Sheriff; Phelan Substation	San Bernardino County Sheriff; Phelan Substation
Animal Control	San Bernardino County Animal Control	San Bernardino County Animal Control
Fire and Paramedic	San Bernardino County Fire Protection District and its North Desert Service Zone (SZ) and SZ FP-3 American Medical Response (AMR)	San Bernardino County Fire Protection District and its North Desert Service Zone (SZ) and SZ FP-3 American Medical Response (AMR)[3]
Flood Control and Drainage:		
Local facilities	San Bernardino County Flood Control District	San Bernardino County Flood Control District
Regional facilities	San Bernardino County Flood Control District	San Bernardino County Flood Control District
Health and Welfare	San Bernardino County Dept. of Public Health	San Bernardino County Dept. of Public Health
Library	San Bernardino County Library	San Bernardino County Library
Schools	Adelanto Elementary School District, Victor Valley Union High School District	Adelanto Elementary School District, Victor Valley Union High School District
Transportation:		
Freeways and Interchanges	Caltrans	Caltrans
Arterials and collectors	San Bernardino County Public Works	San Bernardino County Public Works
Local roads: Maintenance	San Bernardino County Public Works	San Bernardino County Public Works
Local roads: Street Sweeping	No existing service provided	No existing service to be provided
Utilities:		
Cable/Internet Provider	Direct TV & Dish Network	Direct TV & Dish Network
Power	Southern California Edison	Southern California Edison
Telephone	Verizon (Phone & Internet)	Verizon (Phone & Internet)
Natural Gas	Southwest Gas Corporation	Southwest Gas Corporation
Sewer	Septic systems/Property owners	Septic systems/Property owners
Water:		
Domestic Water	Private wells	PPHCSD[1]
Recycled Water	Private wells	PPHCSD[1]
Water Quality	Private wells	PPHCSD[1]
Solid Waste Management	San Bernardino County Solid Waste Management Division (SWMD) under contract with AVCO/Burrtec	Phelan Piñon Hills CSD under Contract with CR&R (after 5 years, or less, the service provider becomes PPHCSD)
Parks and Recreation:		
Local facilities	CSA 70 Zone P-6	Phelan Piñon Hills CSD
Regional facilities	San Bernardino County Parks & Recreation	San Bernardino County Parks & Recreation
Street Lighting	No existing service provided	PPHCSD[2]
Graffiti Abatement	No existing service provided	No existing service to be provided

1. While the Phelan Piñon Hills CSD will have the authority to provide water service in the annexation area, private wells will continue to be the source for water due to the rural nature of the area.
2. While the Phelan Piñon Hills CSD will have the authority to provide street lighting service in the annexation area, this service will not be extended due to the rural nature of the area.
3. AMR provides ambulance transport service while paramedic services is provided by the San Bernardino County FPD.

Sources: Stanley R. Hoffman Associates, Inc.
Phelan Piñon Hills Community Services District (CSD)
San Bernardino County

3.2 Sheriff

Before Annexation and After Annexation. The San Bernardino County Sheriff-Coroner's Department provides public safety services to the Phelan Piñon Hills CSD and the proposed annexation areas. The County Sheriff operates from the main office in the City of Adelanto at 11613 Bartlett Avenue. A facility with one sergeant, one detective and six deputies operates from the Phelan Substation and serves Phelan Piñon Hills, Wrightwood, and West Cajon Valley. The California Highway Patrol provides traffic patrol on State Highways and roadways within the unincorporated areas of the County. The Highway Patrol can also provide emergency response backup to the County Sheriff upon request. The County Sheriff will continue to provide patrol services after annexation; also, Caltrans will continue to provide traffic service to State highways after annexation.

3.3 Animal Control

Before Annexation and After Annexation. Currently, the proposed annexation areas are serviced by San Bernardino County Animal Control. Animal Control is responsible for animal licensing, dead animal pickup, loose animal investigations, animal shelter management and other services. The agency will continue to provide services to the proposed areas after annexation.

3.4 Fire

Before Annexation and After Annexation. Currently, the San Bernardino County Fire Protection District (SBCFPD), North Desert Service Zone, and Service Zone FP-3 are responsible for fire prevention and protection services in the Phelan Piñon Hills CSD area. The Phelan Piñon Hills CSD is serviced by San Bernardino County Fire Station Number 13, Piñon Hills Station, and Number 10, Phelan Station. Property tax is allocated to the (SBCFPD) North Desert Service Zone from development in the proposed annexation areas. The SBCFPD North Desert Service Zone and Fire Protection Zone FP-3will continue to be the service provider for fire prevention and protection services after the annexation.

3.5 Ambulance

Before Annexation and After Annexation. Ambulance services will continue to be provided by American Medical Response upon annexation. Users of the ambulance services are billed on a per trip basis by AMR.

3.6 Flood Control and Drainage

Before Annexation and After Annexation. On a regional level, the San Bernardino County Flood Control District intercepts and manages flood flows through and away from developed areas throughout the County. The San Bernardino County Flood Control District will continue to provide services to the area after the proposed annexation.

3.7 Health and Welfare

Before Annexation and After Annexation. San Bernardino County Department of Public Health currently serves the Phelan Piñon Hills CSD for the general public's health and welfare services. The department provides a variety of programs and services that informs and educates the public about health issues. The County Department of Public Health additionally provides public assistance for welfare and health care needs for all residents within San Bernardino County. There are no anticipated changes in service levels after the proposed annexation.

3.8 Library

Before Annexation and After Annexation. Currently, the existing households within the Phelan Piñon Hills CSD and the proposed annexation areas are served by the San Bernardino County Library system. The nearest County library, the Phelan Memorial Library, is located in downtown Phelan Piñon Hills at 9898 Clovis Road.

3.9 Schools

Before Annexation and After Annexation. The Adelanto Elementary School District and Victor Valley Union High School District serve the proposed annexation area and will continue to provide services after the annexation. The Adelanto Elementary School Districts includes 14 schools that serve students from kindergarten through 8th grade. The Victor Valley Union High School District has 13 schools that serve students from 7th to 12th grades.

3.10 Transportation

Before Annexation and After Annexation. Current transportation services for the Phelan Piñon Hills CSD and the proposed annexation area include freeways and interchanges serviced by Caltrans; arterials and collectors are serviced by the Public Works Department of San Bernardino County; local roads are also serviced by the Public Works Department of San Bernardino County on an ad hoc basis. There will be no change in transportation services or service providers after the annexation.

3.11 Utilities

Before Annexation and After Annexation. The current cable and internet providers are primarily Direct TV and Dish Network; telephone services are provided by Verizon; electricity and power are provided by Southern California Edison; and natural gas is provided by Southwest Gas Corporation. There is no anticipated change in services or service providers after annexation into the Phelan Piñon Hills CSD.

3.12 Phelan Piñon Hills CSD District Administration

Before Annexation. The annexation area does not receive Phelan Piñon Hills CSD District administrative services.

After Annexation. The Phelan Piñon Hills CSD District Administration includes the services provided by a 5-member elected Board of Directors, the General Manager and support staff. The services administered by the CSD management include water service, parks and recreation, and street lighting services. Additionally, the Phelan Piñon Hills CSD provides waste handling services including but not limited to source reduction, recycling, and composting activities.

3.13 Sewer

Before Annexation and After Annexation. Residences or businesses within the annexation area rely on individual septic systems for sewer services. The same applies to most residents and businesses with the Phelan Piñon Hills CSD. The Phelan Shopping Center does have several properties in which the tenants have their own package treatment systems, which are operated and maintained privately. These approaches are expected to be continued upon annexation.

3.14 Water

Before Annexation. The Phelan Piñon Hills CSD provides their water services within the CSD boundaries, except for properties within the Sheep Creek Mutual Water Company which are within the CSD boundaries. Properties outside the CSD boundaries generally rely on underground water wells. Currently, the annexation area is not serviced by the Phelan Piñon Hills CSD.

After Annexation. The Phelan Piñon Hills CSD has the power "to supply water for any beneficial use" as outlined in the Municipal Water District Law of 1911[1]. Currently, the CSD provides

[1] San Bernardino LAFCO Policy Manual Section V. "Exhibit 'A': Listing of Special District Functions and Services". March 2008.

domestic water and water quality services to residents within the CSD boundaries. These services are not anticipated to be initially extended to the properties within annexation area.

3.15 Solid Waste Management

Before Annexation. The proposed annexation area currently relies on San Bernardino County Solid Waste Management Division (SWMD) under contract with AVCO/Burrtec for solid waste disposal services, source reduction, recycling and composting activities.

After Annexation. The Phelan Piñon Hills CSD contracts with CR&R to provide these same services within the Phelan Piñon Hills CSD boundary. After the annexation, the Phelan Piñon Hills CSD would arrange for the waste handling services within the proposed annexation area. California Public Resources Code Section 49520 provides that:

> "If a local agency has authorized, by franchise, contract, license, or permit, a solid waste enterprise to provide solid waste handling services and those services have been lawfully provided for more than three previous years, the solid waste enterprise may continue to provide those services up to five years after mailed notification to the solid waste enterprise by the local agency having jurisdiction that exclusive solid waste handling services are to be provided or authorized, unless the solid waste enterprise has an exclusive franchise or contract."
>
> "If the solid waste enterprise has an exclusive franchise or contract, the solid waste enterprise shall continue to provide those services and shall be limited to the unexpired term of the contract or franchise or five years, whichever is less."

AVCO/Burrtec therefore would continue providing solid waste handling services within the proposed annexation area for at most five years following annexation. The District would begin receiving any franchise fee revenues now paid to the County for the annexation area, and would administer the AVCO/Burrtec franchise agreement, until such time as CR&R can take over the contract.

3.16 Parks and Recreation

Before Annexation. The County Regional Parks Department provides regional park services to all residents within the County, including the proposed annexation area. The closest County Regional Park is Mojave Narrows, which is located about 20 miles southeast of the proposed annexation area. The County provides local park and recreation services through CSA 70 Zone P-6 and the El Mirage Community Center.

After Annexation. After annexation, the area will have access to the local park services provided by the Phelan Piñon Hills CSD parks and recreation department. Current parks and recreation services include the operation of exercise classes and arts/crafts classes during the weekdays and two community centers located in Phelan Piñon Hills. Current and future residents will have access to the parks and recreation services that the Phelan Piñon Hills CSD operates.

3.17 Street Lighting

Before Annexation. Street lighting is not a service generally provided to the unincorporated areas by the San Bernardino County Public Works Department. Currently, no street lights are provided because of the rural nature of the annexation areas.

After Annexation. Phelan Piñon Hills CSD provides street lighting in the business district and on selected public rights-of-way and intersections generally in and around the downtown Phelan Piñon Hills area. While the annexation area will have access to the street lighting services that the Phelan Piñon Hills CSD operates, no street lighting services are anticipated to be provided at this time. These services would only be extended under the proper economic and development conditions, and with future residents of these areas subject to any applicable costs.

3.18 Graffiti Abatement

Before Annexation and After Annexation. San Bernardino County maintains graffiti abatement for the major road signs and bridges near the annexation area. The Phelan Piñon Hills CSD currently does not provide graffiti abatement to the properties within the CSD boundary. After the proposed annexation, no change regarding graffiti abatement services is anticipated.

CHAPTER 4
FISCAL IMPACT ANALYSIS FOR THE PROPOSED ANNEXATION AREA

4.1 Projected Annual Recurring Fiscal Impacts

This chapter considers the estimated revenue and cost impacts from the proposed annexation upon the PPHCSD over a five-year projection. There are no estimated cost impacts on the district because there is currently no population, housing units, or employment within the existing annexation area and none is anticipated over this period. Any additional administration costs related to the water rights are considered to be minimal.

Initially upon annexation, the annual property tax savings is estimated at $29,264, because one parcel is still in the process of being transferred to CSD ownership. The property tax for this parcel is $2,095, according to its current property tax bill. Therefore, at the end of the five year projection period, it is anticipated that the annual property tax savings to the Phelan Piñon Hills CSD would be $31,359 in 2013 dollars, as shown in Table 4-1.

The solid waste handling program is estimated to generate no additional ongoing revenue to the PPHCSD from the annexation. Other public services provided by the district, such as water services, parks and recreation and street lighting services, would experience no fiscal impact because no services by the district are anticipated to be extended to the annexation parcels.

The parcels within the proposed annexation area are currently served by the CSA 70 Zone P-6 and there is a per parcel charge of $9.30 that is collected for the area as shown on the parcel bills in Appendix Figures A-1 through A-5. However, upon annexation, these parcels would be detached from CSA Zone 70 P-6, and any parcel charges would be exempted from payment by the PPHCSD

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4.2 Property Tax Assumptions

As shown in Table A-1, the Phelan Piñon Hills CSD will not receive any share of the 1 percent basic property tax levy from the proposed annexation area. This is in contrast to the existing CSD boundaries where the Phelan Piñon Hills CSD does receive a share of the 1 percent basic property tax levy. The basic share of the 1 percent property tax revenue can vary across the tax rate areas (TRAs) within the CSD's boundaries, as shown for a sample of three TRAs in Table A-2.

Table 4-1
Property Tax Exemption
Phelan Piñon Hills Community Services District
(In Constant 2013 Dollars)

APN	Parcel Ownership	Land Value (2013)	Improvement Value (2013)	Total Assessed Value (2013)	Total Property Tax (2013)
0457-102-06	Phelan Piñon Hils CSD	$398,342	$0	$398,342	$5,389
0457-102-10 [1]	Phelan Piñon Hils CSD	$387,810	$0	$387,810	$5,247
0457-112-01	Phelan Piñon Hils CSD	$598,560	$0	$598,560	$8,088
0457-161-10	Phelan Piñon Hils CSD	$235,773	$594,348	$830,121	$10,540
	Current Total	***$1,620,485***	***$594,348***	***$2,214,833***	***$29,264***
0457-102-09 [1]	Meadowbrook Dairy Real Estate, LLC [2]	$8,038	$136,797	$144,835	$2,095
	Future Total	***$1,628,523***	***$731,145***	***$2,359,668***	***$31,359***

1. APNs 0457-102-09 and 0457-102-10 are the results of a split from APN 0457-102-05.
2. APN 0457-102-09 is under the ownership of Meadowbrook Dairy Real Estate, LLC, pending the completion of a remediation project on the property. After the remediation is completed, the land will transfer over to the Phelan Piñon Hils CSD.

Sources: Stanley R. Hoffman Associates, Inc.
County of San Bernardino, Office of the Assessor

APPENDIX A
SUPPORTING PROPERTY TAX INFORMATION

Figure A-1
Property Tax Bill for APN 0457-102-06-0000
San Bernardino County

12/11/13 County of San Bernardino - Treasurer-Tax Collector - Bill Details

Tax Collector » Bill Display

Bill Display for 130399562*3 as of 12/11/2013
Parcel Number 0457-102-06-0000

Owner Type	Name	Address
BILLED OWNER	PHELAN PINON HILLS COMMUNITY SVCS DI	*Protected per CA. Govt. Code Sect. 6254.21*
SITUS ADDRESS		*Protected per CA. Govt. Code Sect. 6254.21*

Parcel	0457102060000	Default Date	2014-06-30	Tax Type	AS - Annual Secured
Bill	130399562*3	Extend Date	2013-09-19	Effective Date	2013-07-01
Corrected From		Corrected To		Eligibility	A - ELIG EXTENDED
Tax Rate Total	0.011802	Tax Rate Area	000051036	Tax Rate Year	2013

Valuation Type	Assessed
Land	$398,342.00
Personal Property	$0.00
Improvement	$0.00
Personal Property Penalty	$0.00
Improvement Penalty	$0.00
Total Value	$398,342.00
Homeowner Exemption	$0.00
Veteran Exemption	$0.00
Other Exemption	$0.00
Net Value	$398,342.00

Installment	01
Due Amt	$2,694.67
Delq Amt	$2,964.15
Due Date	2013-12-10
Pmt Posted	2013-10-30
Installment	02
Due Amt	$2,694.66
Delq Amt	$2,974.14
Due Date	2014-04-10
Pmt Posted	2013-10-30
Total Tax	$5,389.33
Pay Status	TOTALLY PAID

Service Agency	Amount	Service Agency	Amount
GENERAL TAX LEVY	$3,983.42	*DESERT MT VECTOR CONTROL (800) 442 - 2283	$2.30
VV COMM COLLEGE MEASURE JJ (760) 245 - 4271	$105.16	SCHOOL BONDS	$0.00
VICTOR VALLEY UNION HS BON (760) 955 - 3200	$315.48	ADELANTO ELEMENTARY BOND (760) 246 - 8691	$297.16
SCHOOL STATE REPAYMENT	$0.00	*CSA 70P-6 PARK DISTRICT (909) 387 - 5940	$9.30
*FIRE PROTECTION ZONE FP-3 (909) 387 - 5947	$9.30	##MOJAVE WTR BOND DEBT #2 (760) 946 - 7000	$219.08
#MOJAVE WATER BOND DEBT #1 (760) 946 - 7000	$448.13		

www.mytaxcollector.com/BillDisplayPublicPrint.aspx

Figure A-2
Property Tax Bill for APN 0457-102-09-0000
San Bernardino County

Tax Collector » Bill Display

Bill Display for 130399565*6 as of 12/11/2013
Parcel Number 0457-102-09-0000

Owner Type	Name	Address
BILLED OWNER	MEADOWBROOK DAIRY REAL ESTATE LLC	*Protected per CA. Govt. Code Sect. 6254.21*
CARE OF	EDWARD A IMSAND	*Protected per CA. Govt. Code Sect. 6254.21*
SITUS ADDRESS		*Protected per CA. Govt. Code Sect. 6254.21*

Parcel	0457102090000	Default Date	2014-06-30	Tax Type	AS - Annual Secured
Bill	130399565*6	Extend Date	2013-09-19	Effective Date	2013-07-01
Corrected From		Corrected To		Eligibility	A - ELIG EXTENDED
Tax Rate Total	0.011802	Tax Rate Area	000051036	Tax Rate Year	2013

Valuation Type	Assessed
Land	$8,038.00
Personal Property	$0.00
Improvement	$136,797.00
Personal Property Penalty	$0.00
Improvement Penalty	$0.00
Total Value	$144,835.00
Homeowner Exemption	$0.00
Veteran Exemption	$0.00
Other Exemption	$0.00
Net Value	$144,835.00

Installment	01
Due Amt	$1,047.33
Delq Amt	$1,152.08
Due Date	2013-12-10
Pmt Posted	2013-11-19
Installment	02
Due Amt	$1,047.30
Delq Amt	$1,162.05
Due Date	2014-04-10
Total Tax	$2,094.63
Pay Status	1ST INSTALL PAID

Service Agency	Amount	Service Agency	Amount
GENERAL TAX LEVY	$1,448.35	*LEA - ENFORCEMENT (800) 442 - 2283	$20.30
*DESERT MT VECTOR CONTROL (800) 442 - 2283	$2.30	*CO LAND USE - SWMD (800) 722 - 8004	$255.42
VV COMM COLLEGE MEASURE JJ (760) 245 - 4271	$38.23	SCHOOL BONDS	$0.00
VICTOR VALLEY UNION HS BON (760) 955 - 3200	$114.70	ADELANTO ELEMENTARY BOND (760) 246 - 8691	$108.04
SCHOOL STATE REPAYMENT	$0.00	*CSA 70P-6 PARK DISTRICT (909) 387 - 5940	$9.30

www.mytaxcollector.com/BillDisplayPublicPrint.aspx

Figure A-3
Property Tax Bill for APN 0457-102-10-0000
San Bernardino County

12/11/13 County of San Bernardino - Treasurer-Tax Collector - Bill Details

Tax Collector » Bill Display

Bill Display for 130399566*4 as of 12/11/2013
Parcel Number 0457-102-10-0000

Owner Type	Name	Address
BILLED OWNER	PHELAN PINON HILLS COMMUNITY SVCS DI	*Protected per CA. Govt. Code Sect. 6254.21*
SITUS ADDRESS		*Protected per CA. Govt. Code Sect. 6254.21*

Parcel	0457102100000	Default Date	2014-06-30	Tax Type	AS - Annual Secured
Bill	130399566*4	Extend Date	2013-09-19	Effective Date	2013-07-01
Corrected From		Corrected To		Eligibility	A - ELIG EXTENDED
Tax Rate Total	0.011802	Tax Rate Area	000051036	Tax Rate Year	2013

Valuation Type	Assessed
Land	$387,810.00
Personal Property	$0.00
Improvement	$0.00
Personal Property Penalty	$0.00
Improvement Penalty	$0.00
Total Value	$387,810.00
Homeowner Exemption	$0.00
Veteran Exemption	$0.00
Other Exemption	$0.00
Net Value	$387,810.00

Installment	01
Due Amt	$2,623.70
Delq Amt	$2,886.10
Due Date	2013-12-10
Pmt Posted	2013-10-30
Installment	02
Due Amt	$2,623.69
Delq Amt	$2,896.08
Due Date	2014-04-10
Pmt Posted	2013-10-30
Total Tax	$5,247.39
Pay Status	TOTALLY PAID

Service Agency	Amount	Service Agency	Amount
GENERAL TAX LEVY	$3,878.10	*DESERT MT VECTOR CONTROL (800) 442 - 2283	$2.30
VV COMM COLLEGE MEASURE JJ (760) 245 - 4271	$102.38	SCHOOL BONDS	$0.00
VICTOR VALLEY UNION HS BON (760) 955 - 3200	$307.14	ADELANTO ELEMENTARY BOND (760) 246 - 8691	$289.30
SCHOOL STATE REPAYMENT	$0.00	*CSA 70P-6 PARK DISTRICT (909) 387 - 5940	$9.30
*FIRE PROTECTION ZONE FP-3 (909) 387 - 5947	$9.30	##MOJAVE WTR BOND DEBT #2 (760) 946 - 7000	$213.29
#MOJAVE WATER BOND DEBT #1 (760) 946 - 7000	$436.28		

www.mytaxcollector.com/BillDisplayPublicPrint.aspx

Figure A-4
Property Tax Bill for APN 0457-112-01-0000
San Bernardino County

Tax Collector » Bill Display

Bill Display for 130399605*0 as of 12/11/2013
Parcel Number 0457-112-01-0000

Owner Type	Name	Address
BILLED OWNER	PHELAN PINON HILLS COMMUNITY SVCS DI	*Protected per CA. Govt. Code Sect. 6254.21*
SITUS ADDRESS		*Protected per CA. Govt. Code Sect. 6254.21*

Parcel	0457112010000	Default Date	2014-06-30	Tax Type	AS - Annual Secured
Bill	130399605*0	Extend Date	2013-09-19	Effective Date	2013-07-01
Corrected From		Corrected To		Eligibility	A - ELIG EXTENDED
Tax Rate Total	0.011802	Tax Rate Area	000051036	Tax Rate Year	2013

Valuation Type	Assessed
Land	$598,560.00
Personal Property	$0.00
Improvement	$0.00
Personal Property Penalty	$0.00
Improvement Penalty	$0.00
Total Value	$598,560.00
Homeowner Exemption	$0.00
Veteran Exemption	$0.00
Other Exemption	$0.00
Net Value	$598,560.00

Installment	01
Due Amt	$4,043.84
Delq Amt	$4,448.24
Due Date	2013-12-10
Pmt Posted	2013-10-30
Installment	02
Due Amt	$4,043.82
Delq Amt	$4,458.22
Due Date	2014-04-10
Pmt Posted	2013-10-30
Total Tax	$8,087.66
Pay Status	TOTALLY PAID

Service Agency	Amount	Service Agency	Amount
GENERAL TAX LEVY	$5,985.60	*DESERT MT VECTOR CONTROL (800) 442 - 2283	$2.30
VV COMM COLLEGE MEASURE JJ (760) 245 - 4271	$158.01	SCHOOL BONDS	$0.00
VICTOR VALLEY UNION HS BON (760) 955 - 3200	$474.05	ADELANTO ELEMENTARY BOND (760) 246 - 8691	$446.52
SCHOOL STATE REPAYMENT	$0.00	*CSA 70P-6 PARK DISTRICT (909) 387 - 5940	$9.30
*FIRE PROTECTION ZONE FP-3 (909) 387 - 5947	$9.30	##MOJAVE WTR BOND DEBT #2 (760) 946 - 7000	$329.20
#MOJAVE WATER BOND DEBT #1 (760) 946 - 7000	$673.38		

www.mytaxcollector.com/BillDisplayPublicPrint.aspx

Figure A-5
Property Tax Bill for APN 0457-161-10-0000
San Bernardino County

Tax Collector » Bill Display

Bill Display for 130399881*7 as of 12/11/2013
Parcel Number 0457-161-10-0000

Owner Type	Name	Address
BILLED OWNER	PHELAN PINON HILLS COMMUNITY SVCS DI	*Protected per CA. Govt. Code Sect. 6254.21*
SITUS ADDRESS		*Protected per CA. Govt. Code Sect. 6254.21*

Parcel	0457161100000	Default Date	2014-06-30	Tax Type	AS - Annual Secured
Bill	130399881*7	Extend Date	2013-09-19	Effective Date	2013-07-01
Corrected From		Corrected To		Eligibility	A - ELIG EXTENDED
Tax Rate Total	0.011802	Tax Rate Area	000051036	Tax Rate Year	2013

Valuation Type	Assessed
Land	$235,773.00
Personal Property	$0.00
Improvement	$594,348.00
Personal Property Penalty	$0.00
Improvement Penalty	$0.00
Total Value	$830,121.00
Homeowner Exemption	$0.00
Veteran Exemption	$0.00
Other Exemption	$0.00
Net Value	$830,121.00

Installment	01
Due Amt	$5,269.91
Delq Amt	$5,796.91
Due Date	2013-12-10
Pmt Posted	2013-10-30
Installment	02
Due Amt	$5,269.87
Delq Amt	$5,806.87
Due Date	2014-04-10
Pmt Posted	2013-10-30
Total Tax	$10,539.78
Pay Status	TOTALLY PAID

Service Agency	Amount	Service Agency	Amount
GENERAL TAX LEVY	$8,301.21	*DESERT MT VECTOR CONTROL (800) 442 - 2283	$2.30
VV COMM COLLEGE MEASURE JJ (760) 245 - 4271	$219.15	SCHOOL BONDS	$0.00
VICTOR VALLEY UNION HS BON (760) 955 - 3200	$657.45	ADELANTO ELEMENTARY BOND (760) 246 - 8691	$619.27
SCHOOL STATE REPAYMENT	$0.00	*CSA 70P-6 PARK DISTRICT (909) 387 - 5940	$9.30
*FIRE PROTECTION ZONE FP-3 (909) 387 - 5947	$9.30	##MOJAVE WTR BOND DEBT #2 (760) 946 - 7000	$456.56
#MOJAVE WATER BOND DEBT #1 (760) 946 - 7000	$265.24		

www.mytaxcollector.com/BillDisplayPublicPrint.aspx

Table A-1
Tax Rate Area (TRA) Allocations: TRA 51036
San Bernardino County

Agency Code	Agency	TRA 51036 Allocation
AB01 GA01	San Bernardino County General Fund	0.14450060
AB02 GA01	Educational Revenue Augmentation Fund (ERAF)	0.21895644
BF04 GA01	Flood Control, Zone 4	0.02284356
BF08 GA01	Flood Control District, Administration, Zones 3-6	0.00087409
BL01 GA01	San Bernardino County Free Library	0.01400214
BS01 GA01	County Superintendent of Schools, Countywide	0.00496162
BS01 GA02	County Superintendent, ROP	0.00085068
BS01 GA03	County Superintendent, Physically Handicapped	0.00195168
BS01 GA04	County Superintendent, Mentally Retarded	0.00156709
BS01 GA05	County Superintendent, Development Center	0.00051160
SC66 GA01	Victor Valley Community College	0.06497645
SE02 GA01	Adelanto Elementary School District, General Tax Levy	0.18814271
SH66 GA01	Victor Valley Union High School District	0.17706657
UD44 GA01	CSA 60 - Victorville	0.01002344
UD50 GA01	CSA 70 - General Tax Levy	0.00000000
UF01 GA03	San Bernardino County Fire Protection District, North Desert Service Area	0.11752782
UF01 GA05	San Bernardino County Fire Protection District, Administration	0.02605082
WR03 GL01	Mojave Desert Resource Conservation District	0.00034369
WY20 GI01	Mojave Water Agency, General Tax Levy L & I	0.00484900
	Total	***1.00000000***

Sources: Stanley R. Hoffman Associates, Inc.
San Bernardino County Auditor-Controller, Property Tax Division, *Report PI739DYL*, *Allocation Percentage Calculation, Tax Roll 2013*
San Bernardino County Auditor-Controller, Property Tax Division, *Report PI164*, *TRA Net Valuations*, October 30, 2013

Table A-2
Tax Rate Area (TRA) Allocations: TRAs 51027, 101002 & 101011
San Bernardino County

Agency Code	Agency	TRA 51027 Allocation	TRA 101002 Allocation	TRA 101011 Allocation
AB01 GA01	San Bernardino County General Fund	0.12247601	0.16097382	0.23029657
AB02 GA01	Educational Revenue Augmentation Fund (ERAF)	0.18558363	0.24391771	0.34979424
BF04 GA01	Flood Control, Zone 4	0.01935991	0.02544759	0.01646091
BF08 GA01	Flood Control District, Administration, Zones 3-6	0.00074068	0.00097374	0.00000000
BL01 GA01	San Bernardino County Free Library	0.01186733	0.01559834	0.01440329
BS01 GA01	County Superintendent of Schools, Countywide	0.00420539	0.00552727	0.00823045
BS01 GA02	County Superintendent, ROP	0.00072100	0.00094764	0.00000000
BS01 GA03	County Superintendent, Physically Handicapped	0.00165374	0.00217418	0.00000000
BS01 GA04	County Superintendent, Mentally Retarded	0.00132809	0.00174574	0.00205762
BS01 GA05	County Superintendent, Development Center	0.00043380	0.00056992	0.00205761
SC66 GA01	Victor Valley Community College	0.05506822	0.07238355	0.04732510
SE02 GA01	Adelanto Elementary School District	0.15945334	N/A	N/A
SH66 GA01	Victor Valley Union High School District	0.15006738	N/A	N/A
SU58 GA01	Snowline Joint Unified School District	N/A	0.28601667	0.17078190
UD44 GA01	CSA 60 - Victorville	0.00849501	0.01116609	N/A
UD50 GA01	CSA 70	0.00000000	0.00000000	0.00000000
UF01 GA03	San Bernardino County Fire Protection District, North Desert Service Area	0.13129251	0.13092534	0.07818930
UF01 GA05	San Bernardino County Fire Protection District, Administration	0.02207820	0.02902046	0.01867462
WC13 GA01	Phelan Pinon Hills CSD	0.12034055	0.00678824	0.05555555
WR03 GL01	Mojave Desert Resource Conservation District	0.00046714	0.00022419	0.00205761
WY20 GI01	Mojave Water Agency, General Tax Levy L & I	0.00436807	0.00559951	0.00411523
	Total	***1.00000000***	***1.00000000***	***1.00000000***

Sources: Stanley R. Hoffman Associates, Inc.
San Bernardino County Auditor-Controller, Property Tax Division, *Report PI739DYL*, Allocation Percentage Calculation, Tax Roll 2013
San Bernardino County Auditor-Controller, Property Tax Division, *Report PI164*, TRA Net Valuations, October 30, 2013

APPENDIX B
PROJECT REFERENCES

Phelan Piñon Hills Community Services District
(760) 868-1212

Don Bartz, General Manager
dbartz@pphcsd.org

George Cardenas, Engineering Manager
gcardenas@pphcsd.org

Mojave Desert and Mountain Recycling
John Davis, Consultant
(909) 797-7717
recyclingjpa@gmail.com

San Bernardino County LAFCO
(909) 383-9900

Kathleen Rollings-McDonald, Executive Officer
kmcdonald@lafco.sbcounty.gov

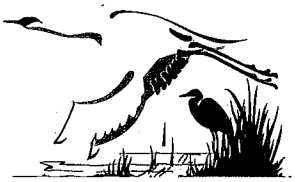
Sam Martinez, Assistant Executive Officer
smartinez@lafco.sbcounty.gov

Statistical Research, Inc.
Doug Mende, Director of Geographic Information Systems (GIS)
(909) 335-1896
dmende@sricrm.com

Tom Dodson's Environmental Response for LAFCO 3194

Attachment 3

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



February 8, 2016

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

RECEIVED
FEB 09 2016
LAFCO
San Bernardino County

Dear Kathy:

LAFCO 3194 consists of a request by the Phelan Pinion Hills Community Services District (District) for a Reorganization that includes annexation of 480 acres to the District . The proposed Reorganization also includes Detachments from County Service Area (CSA) 70, Zone P-6. The territory proposed for Annexation consists of property owned by the District (solely park and recreation services), for which it has no current proposals for physical modification.

- Area 1 encompasses approximately 160 acres that are bordered by Plato Street to the north, Sheep Creek Road to the east, El Mirage Road to the south and Meridian Road to the west.
- Area 2 encompasses approximately 160 acres generally bordered by El Mirage Road to the north, Meridian Road to the East, a parcel line (natural extension of Brian Street) to the south, and a parcel line (natural extension of Tanner Road) to the west.
- Area 3 encompasses approximately 160 acres generally bordered by the natural extension of Bartlett Avenue on the north, Sheep Creek Road to the east, Parkdale Road to the south, and Meridian Road to the west.

If LAFCO 3194 is approved by the Commission and CSA70 Zone P-6 is detached the previously described property would be annexed into the Phelan Pinion Hills Community Services District. The District would provide park and recreation services in the future in place of CSA 70 Zone P-6. In addition, the District could also provide

other services such as water, street and lighting, solid waste and recycling where these services are not currently available. As noted above the District has no current proposal for physical modifications to these parcels and any such proposals would require a subsequent environmental determination to comply with the California Environmental Quality Act (CEQA).

Based on the above proposal, it appears that the proposed Reorganization and Detachment would allow the District to assume responsibility for provision park and recreation services in place of CSA 70 Zone P-6. In general the replacement of one service agency (CSA 70 Zone P-6) with another (District) that assumes the service responsibilities will not result in any new physical impacts on the environment. However, based on previous analyses for similar assumptions of responsibility, a potential exists for the agency being detached to incur economic impacts that can adversely impact other operations. In this case San Bernardino County Special District's, and CSA-70's ability to provide service at other locations, will incur only a small reduction in property taxes that will not adversely impact the financial capability of the remainder the CSA 70 Zone P-6. Thus, it appears the proposed actions can be implemented without causing significant physical changes to the environment or any significant adverse environmental impacts. The approval of LAFCO 3194 does not appear to have any potential to significantly alter the existing physical environment in any manner different from the existing environmental setting.

Therefore, I recommend that the Commission find that a General Rule Statutory Exemption, as defined in CEQA under Section 15061 (b) (3) of the State CEQA Guidelines, applies to LAFCO 3194. This Section states: "*A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.*" It is my opinion and recommendation to the Commission that the General Rule exemption applies to LAFCO 3194.

Based on this review of LAFCO 3194 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that the proposed LAFCO action does not constitute a project under CEQA and adoption of the General Rule Statutory Exemption and filing of a Notice of Exemption is the most appropriate environmental determination to comply with CEQA for this action. Therefore, the Commission can approve the review and findings for this action as the appropriate CEQA environmental determination, and I recommend that you notice LAFCO 3194 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 3194 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,

Tom Dodson

Tom Dodson

Draft Resolution No. 3214

Attachment 4

PROPOSAL NO.: LAFCO 3194

HEARING DATE: FEBRUARY 17, 2016

RESOLUTION NO. 3214

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3194 AND APPROVING THE REORGANIZATION TO INCLUDE ANNEXATIONS TO THE PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT AND DETACHMENT FROM COUNTY SERVICE AREA 70 ZONE P-6. The reorganization includes three separate areas encompassing a total of approximately 480 acres of non-contiguous, district-owned parcels located in the community of El Mirage.

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 February 17, 2016 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 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.

DRAFT

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" and "A-1" attached;

Condition No. 2. The following distinctive short-form designation shall be used through this proceeding: LAFCO 3194;

Condition No. 3. All previously authorized charges, fees, assessments, and/or taxes currently in effect by the Phelan Piñon Hills Community Services District (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 Phelan Piñon Hills Community Services 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 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).

DRAFT

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 three area as certified by the Registrar of Voters as of August 7, 2015s.

2. The County Assessor's Office has determined that the total assessed value of land and improvements within the reorganization area is $2,409,948 (land--$1,660,809; improvements--$749,139) as of August 10, 2015.

3. Through approval of the companion proposal, LAFCO 3193, the reorganization area will be within the sphere of influence assigned the Phelan Piñon Hills Community Services District.

4. Commission consideration of this proposal has been advertised in *The Daily Press,* 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 the requirements of Government Code Section 56157 and Commission policy, individual notice was mailed to surrounding landowners and registered voters (totaling 99 notices) within approximately 1,350 feet of the exterior boundaries of the reorganization area. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination. No expression of support or opposition to this reorganization has been received by the Commission.

6. The County's land use designation for the reorganization proposal is AG (Agriculture). This reorganization proposal has no direct effect on the County's General Plan land use designation assigned for the area.

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 3194 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. 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.

DRAFT

9. The local agencies currently serving the area are: County of San Bernardino, Mojave Water Agency (the State Water Contractor), Mojave Desert Resource Conservation District (portion), San Bernardino County Fire Protection District, its North Desert Service Zone, and its Service Zone FP-3, County Service Area 60 (Apple Valley Airport), and County Service Area 70 (multi-function unincorporated area Countywide) and its Zone P-6.

   County Service Area 70 Zone P-6 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 Phelan Piñon Hills Community Services District 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.

11. The reorganization proposal is in compliance with Commission policies and would be for the benefit of the Phelan Piñon Hills Community Services District. Annexing these district-owned parcels would relieve the district of a recurring annual property tax obligation of approximately $30,000.

12. With respect to environmental justice, the reorganization proposal—which only annexes the properties that were acquired by the district for additional water rights—will not result in the unfair treatment of any person based on race, culture or income.

13. The County of San Bernardino (on behalf of the Phelan Piñon Hills Community Services District) adopted a resolution indicating no transfer of property tax revenues would be required. A copy of the resolution adopted by the San Bernardino County Board of Supervisors is on file in the LAFCO office. This negotiated agreement fulfills the requirements of Section 99 of the Revenue and Taxation Code.

14. 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 Phelan Piñon Hills Community Services District of a recurring annual property tax obligation of approximately $30,000, which is a significant savings that would benefit the district.

SECTION 5. The affected territory shall not be taxed for existing bonded indebtedness or contractual obligations of the Phelan Piñon Hills Community Services District through the reorganization. The regular County assessment rolls are utilized by the Phelan Piñon Hills Community Services District.

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" and "A-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 February 17, 2016.

DATED:

_____
KATHLEEN ROLLINGS-MCDONALD
Executive Officer

DRAFT

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: **FEBRUARY 10, 2016**

FROM: **KATHLEEN ROLLINGS-McDONALD, Executive Officer**
ROBERT ALDRICH, Consultant

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **AGENDA ITEM #7 - LAFCO 3199 – Sphere of Influence Amendments (Expansion) for the San Bernardino County Fire Protection District (Twentynine Palms Fire Department territory)**

INITIATED BY:

Jointly initiated by the Board of Directors of the Twentynine Palms Water District and the Board of Directors of the San Bernardino County Fire Protection District

RECOMMENDATION:

Staff recommends that the Commission make the following determinations:

1. Determine that the proposal presented for sphere of influence amendment, submitted under the provisions of Government Code Section 56428, does not require a service review.

2. Certify that LAFCO 3199 is statutorily exempt from environmental review, and direct the Executive Officer to file a Notice of Exemption within five (5) days.

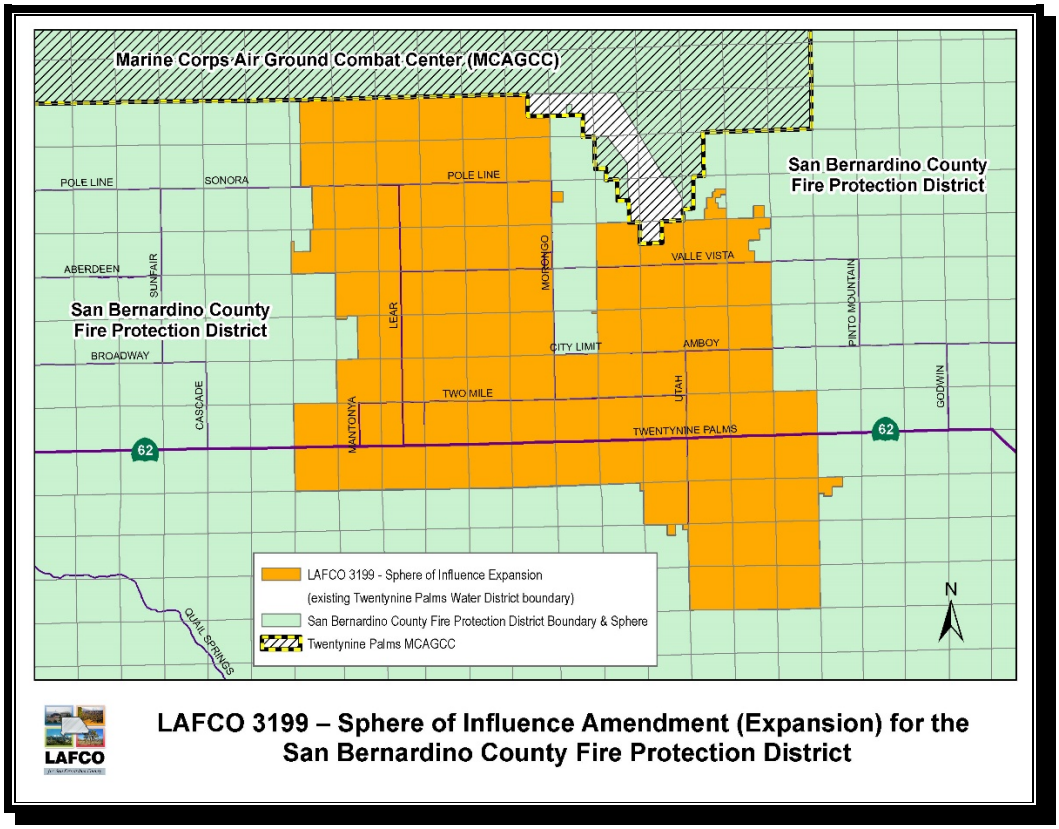
3. Approve the expansion of the sphere of influence for the San Bernardino County Fire Protection District to include the territory of the Twentynine Palms Fire Department territory.

4. Adopt LAFCO Resolution No. 3215 reflecting the Commission's determinations and findings for the sphere of influence changes identified.

BACKGROUND:

On August 26, 2015, the Twentynine Palms Water District (hereafter shown as "TPWD" or "Water District") adopted Resolution No. 15-14 formally initiating an application with LAFCO to expand the sphere of influence of the San Bernardino County Fire Protection District (hereafter shown as "County Fire") to include the entirety of the Twentynine Palms Water District Fire Department (hereafter shown as "29 Palms Fire") boundary. The District's Resolution also initiated the annexation of its territory to County Fire, its South Desert Service Zone and Service Zone FP-5, the divestiture of the fire functions of the TPWD, and the designation of the County's South Desert Service Zone and Service Zone FP-5 as the successor agency. A resolution supporting TPWD's application to LAFCO was adopted by the San Bernardino County Board of Supervisors on September 15, 2015.

The proposed sphere expansion encompasses the entirety of the 29 Palms Fire service territory. 29 Palms Fire is generally located in the south desert region of the County and is generally bordered by the Joshua Tree National Park on the south, the Joshua Tree community, defined by the Joshua Basin Water District, on the west, the Twentynine Palms Marine Corps Base on the north, and the Wonder Valley community, defined by County Service Area 70 Zone M, on the east. The City of Twentynine Palms, except that portion of the City located on the Twentynine Palms Marine Corps Base, is located within the boundaries of the TPFD. A map illustrating the proposed sphere expansion is included as Attachment #1 to this report and is shown below:



At LAFCO's September 16, 2015 hearing, the Commission determined that it would not require a municipal service review for the sphere of influence amendments proposed for County Fire. At that hearing, the Commission supported staff's position that sphere of influence "amendments" submitted under the provisions of Government Code Section 56428 do not require a service review unless they meet the criteria of the Commission's adopted policy. In this case, LAFCO 3199 does not fit the Commission's policy requirements which address retail water service provision or areas outside a wholesale water purveyor to require a service review for an amendment as outlined in Policy and Procedure Manual, Section IV Application Processing, Chapter 3 Service Reviews, Policy 2 Service Review Requirement for Sphere of Influence Amendments.

Expansion of the sphere of influence will allow for the annexation of the entirety of 29 Palms Fire by County Fire, its South Desert Service Zone, and Service Zone FP-5 by separate action (LAFCO 3200). The proposed annexation also includes the area outside the Water District (already served by County Fire) generally identified as the peninsula of land between Morongo Road and the City of Twentynine Palms. This item will be heard following consideration of the proposed sphere expansion. This set of proposals is intended to maintain adequate fire protection, emergency medical response and ambulance service within the TPFD service area. Attachment #2 provides a copy of the resolutions initiating the sphere of influence amendment and the application materials.

The data and analysis, below, address the factors of consideration required for a sphere of influence amendment as outlined in Government Code Section 56425. Each of these requires a determination adopted by the Commission.

SPHERE OF INFLUENCE DETERMINATIONS:

The TPWD has submitted an application requesting that LAFCO amend the sphere of influence of County Fire to include the entirety of the TPWD (which includes the City of Twentynine Palms and surrounding communities encompassing approximately 56,919 acres). The proposal, along with a concurrent application (LAFCO 3200) to annex the entirety of TPWD by County Fire, its South Desert Service Zone, and Service Zone FP-5, will allow for residents to continue to receive adequate fire and emergency medical response services. TPWD's immediate and long-term financial constraints preclude the District from continuing to provide these services at acceptable levels. Therefore, LAFCO staff is recommending that the Commission:

- Expand the sphere of influence of the San Bernardino County Fire Protection District to include the entirety of the Twentynine Palms Water District.

The following address the mandatory factors as outlined in Government Code Section 56425:

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

The land area proposed to be included in the sphere of influence of County Fire includes 56,919 acres of varied land uses. Approximately 45 percent of the expanded sphere area is within the City of Twentynine Palms. The City includes areas of rural living (45 percent), single family residential (34 percent), open space residential (3 percent) and public uses/floodway (3 percent).

The remainder of the sphere expansion area (outside the City) is also primarily residential in nature and includes: rural living (40 percent), single family residential (34 percent), open space residential (7 percent), multi-family residential (3 percent), commercial (4 percent), industrial (3 percent), and public uses and floodway (3 percent).

The chart, below, depicts the General Plan land use districts (in acres) within the TPWD (proposed sphere expansion area):

Land Use	Acres
City of Twentynine Palms Land Use Designations	
Rural Living	16,184
Single-Family Residential	11,962
Open Space Residential	2,463
Multi-Family Residential	1,056
Commercial	1,407
Institutional	1,056
Public and Floodway	1,056
County (unincorporated) Land Use Designations	
Resource Conservation (RC)	2,680
Rural Living (RL)	4,444
RL-5	14,571
RL-10	40
Floodway (FW)	
Service Commercial (CS)	
Institutional	
TOTAL SPHERE EXPANSION AREA	**56,919**

Source: Twentynine Palms Water District

Census data indicate that the TPWD population was approximately 18,072 in 2010. The District's 2012 Service Review indicates that the service territory population is projected to reach 31,974 by 2040, an increase of 44 percent.[1] However, as stated in the Service Review, these projections may represent an

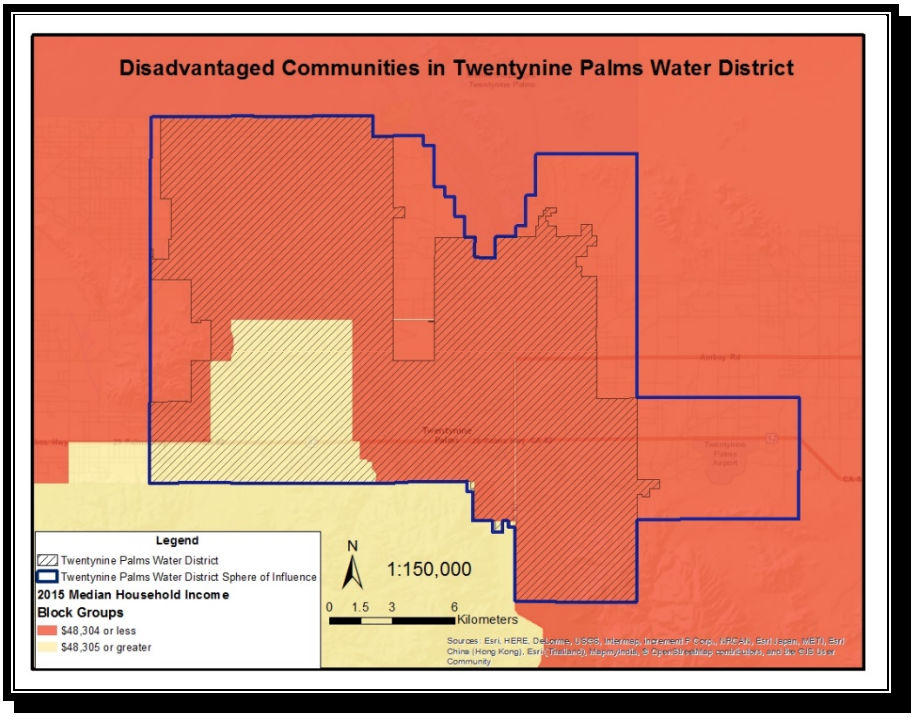
[1] The projected District growth was calculated using a combination of growth rates identified in the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan's Integrated Growth Forecast for the City of Twentynine Palms and County unincorporated data forecasts.

unattainable growth trend based on the historic growth of the region. In addition to marginal growth over the last ten years, there are other circumstances in the region that tend to restrict growth (i.e. water quality issues, potential for development restrictions related to the use of septic systems, etc.). Based on these issues, actual growth is expected to be lower.

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

The current provision of fire protection and emergency medical response services provided by 29 Palms Fire was reduced from two fire stations to one staffed fire station on June 1, 2013 due to a lack of a sustainable revenue source. Without a change in governance, further reductions in service will be required to be implemented on July 1, 2016. Should these additional service cuts be implemented, the level of fire and emergency protection services provided by TPFD may jeopardize public safety for residents and businesses within the TPWD boundary.

Government Code Section 564215(e) (5) directs the Commission to evaluate the present and probable need for the delivery of structural fire protection within a disadvantaged unincorporated community. LAFCO 3199 addresses unincorporated area as well as an incorporated city area not required by the code section. However, the questions for assurance of service delivery to a disadvantaged community are real in this situation for both incorporated and unincorporated territory. The 2015 Disadvantaged Community Maps maintained by LAFCO identify that the bulk of the area within the TPWD is disadvantaged and the Commission has an inherent responsibility to assure the continuation of this critical public health and safety service. The map below outlines the disadvantaged areas meeting the criteria of State law as earning less than $48,305 per year (80% of Statewide median income):



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

County Fire operates 75 fire stations serving approximately 750,000 residents in approximately 16,535 acres of unincorporated territory plus seven incorporated cities including Adelanto, Fontana, Grand Terrace, Hesperia, Needles, Victorville, and Yucca Valley. County Fire provides a full range of emergency services, including ladder trucks, fire boats for water rescues, snow cats for winter operations, heavy equipment for flooding and earth moving, ambulance transportation in seven ambulance operating areas, paramedics and large incident command and control capability. County Fire is the largest provider of pre-hospital care in the County and the second largest ambulance provider.

The package of applications submitted by the TPWD is intended to ensure adequate, long-term fire protection and emergency medical response services for the residents of the District. TPWD can no longer afford to continue funding these services at appropriate levels.

4. The existence of any social or economic communities of interest as determined by the Commission to be relevant to the agency:

Social and economic communities of interest include: the City of Twentynine Palms, the Twentynine Palms Marine Corps Base, Joshua Tree National Park and the Morongo Unified School District. The Commission's 2012 Municipal Service Review clearly identified the community of Twentynine Palms as being

the area of the sphere of influence assigned the Twentynine Palms Water District. The implementation of a fiscally sustainable agency to provide adequate levels of fire protection, and emergency response, supports the economic and social community defined by the boundaries of the TPWD over the long-term and is critical for the safety and well-being of the community's residents and travelers along Highway 62.

Services of the Agency:

Government Code Section 56425(i) requires that during a sphere of influence amendment or update for a special district, the Commission is required to review and identify the range of services to be provided, as well as the nature and location of those services. At present, the Commission's "Exhibit A" (which lists the functions and services of special districts) identifies the following services for the San Bernardino County Fire Protection District:

San Bernardino County	Fire	Structural, watershed, prevention, inspection, suppression, weed abatement, hazardous materials services, rescue, first aid, ambulance transportation, emergency response, and disaster preparedness planning

As a function of LAFCO 3200, it is proposed that the Twentynine Palms Water District be divested of its fire authorities which would change its listing of active functions and services to the following:

Twentynine Palms	Water	Retail, agricultural, domestic, replenishment
	Sewer	Planning and engineering

ADDITIONAL DETERMINATIONS:

1. The Commission is the lead agency for review of the potential environmental consequences of the sphere of influence modifications. LAFCO staff has provided the Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, with the application materials for review. Mr. Dodson has indicated the proposed sphere amendment is not judged to pose any adverse changes to the physical environment. Therefore, his recommendation is that the sphere amendment is exempt from the requirements of CEQA, as

outlined in the State CEQA Guidelines, Section 15061(b) (3). A copy of this letter is included as Attachment #3 to this report.

2. Legal notice of the Commission's consideration of the proposal has been provided through publication of a 1/8th page advertisement in *The Sun* and *The Desert Trail,* newspapers of general circulation in the area. In addition, individual notice was provided to affected and interested agencies, County departments and those individuals and agencies requesting special notice.

3. The map and legal description of this sphere of influence amendment was prepared and certified by the County Surveyor's Office.

CONCLUSION:

LAFCO 3199 is the first step in a two-part process to provide for continuing fire protection, and emergency medical response services to the territory of the Twentynine Palms Water District which includes the City of Twentynine Palms and surrounding communities. The current provision of fire protection and emergency medical services provided by 29 Palms Fire was reduced from two staffed fire stations to one staffed fire station on June 1, 2013 due to a lack of a sustainable revenue source. Without a change in governance, further reductions in service will be required to be implemented on July 1, 2016.

Should these additional service cuts be imposed, the level of fire and emergency protection services provided by 29 Palms Fire may jeopardize public safety for residents and businesses within the TPWD boundary. To address this situation, a transfer of responsibility for fire services from the TPWD to County Fire is warranted.

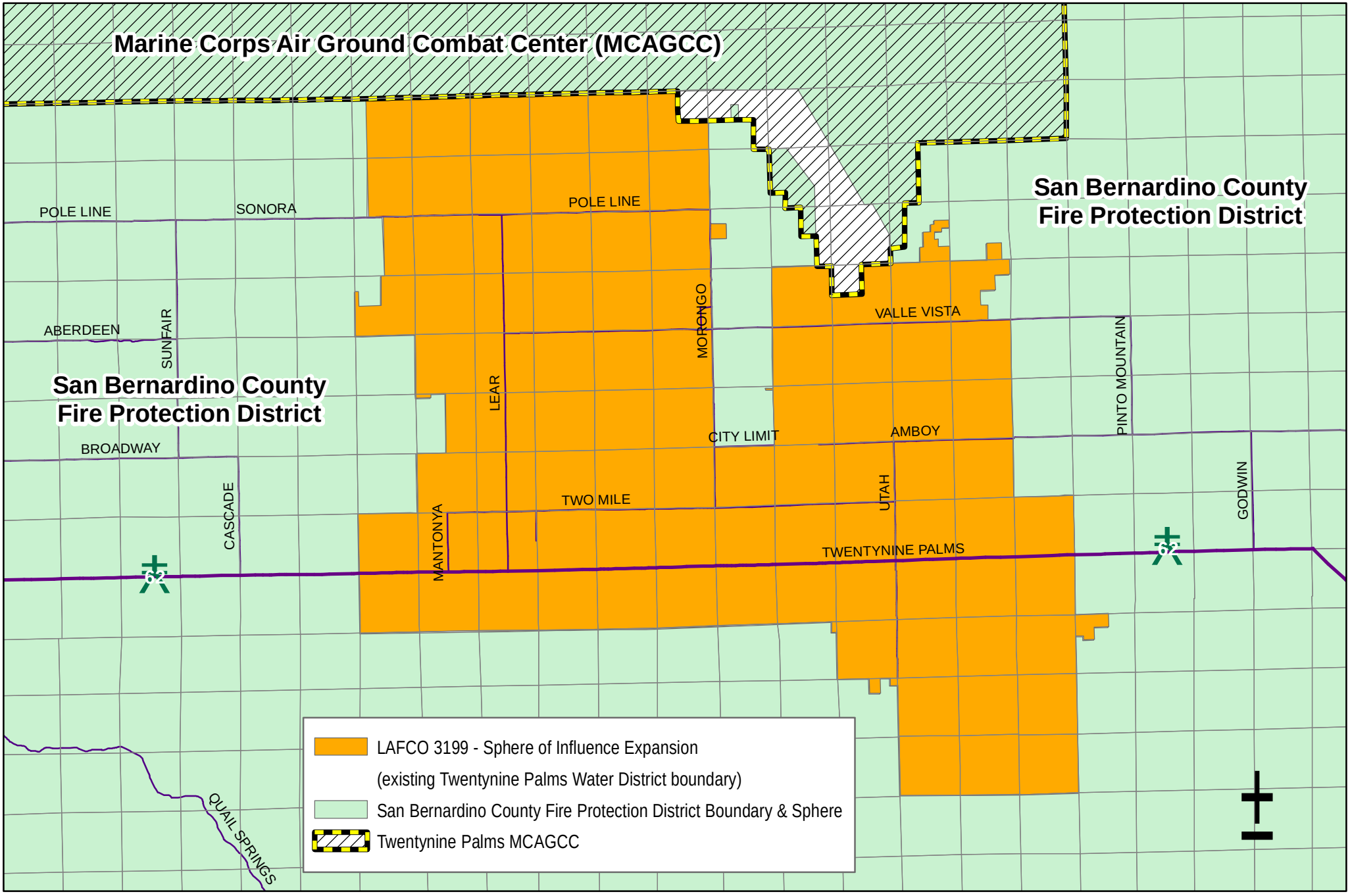
For all the reasons outlined in this report, LAFCO staff supports the change in sphere of influence designation to expand the sphere for County Fire and its related service zones.

Attachments:

1. Vicinity Map and Map of Proposed Sphere expansion
2. Twentynine Palms Water District/County Fire Application for Sphere of Influence Expansion, Twenty-Nine Palms Band of Mission Indians Resolution of Consent to Overlay and Supplemental Data
3. Letter from Commission Environmental Consultant Tom Dodson of Tom Dodson and Associates Dated February 8, 2016
4. Draft LAFCO Resolution No. 3212

Vicinity Map and Map of Proposed Sphere Expansion

Attachment 1



LAFCO 3199 – Sphere of Influence Amendment (Expansion) for the San Bernardino County Fire Protection District

T02NR07E

T02NR08E

T02NR09E

T01NR07E

T01NR08E

T01NR09E

T01NR10E

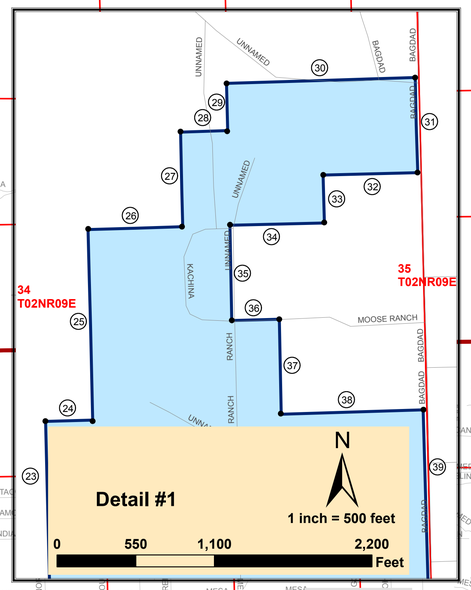
T01SR09E

T01SR10E

See Sheet 2 of 3 for APN Data

See Sheet 3 of 3 for APN Data

See Detail #1 @ Right



Course	Direction	Distance
1	East	18480
2	South	2640
3	East	2640
4	South	9240
5	East	1320
6	South	660
7	West	1320
8	South	3300
9	South	15840
10	East	3960
11	East	1320
12	North	4950
13	West	660
14	North	165
15	East	660
16	North	5445
17	North	2640
18	East	5280
19	South	2640
20	East	2640
21	North	2640
22	East	5280
23	North	1320
24	East	330
25	North	1320
26	East	660
27	North	660
28	East	330
29	North	1320
30	East	1320
31	South	660
32	West	660
33	South	330
34	West	660
35	South	660
36	East	330
37	South	660
38	East	990
39	South	1320
40	East	3300
41	North	495
42	North	990
43	East	1320
44	South	990
45	South	495
46	East	660
47	South	1320
48	West	1320
49	South	660
50	South	660
51	West	1320
52	South	1320
53	East	660
54	South	1320
55	East	1980
56	South	5280
57	South	1320
58	South	6600
59	South	2640
60	East	5280
61	South	10560
62	N89° 44'E	2658.5
63	South	1332.4
64	West	1011.3
65	South	990
66	West	990
67	North	330
68	West	660
69	South	13980
70	East	10560
71	West	5280
72	North	9900
73	West	660
74	North	990
75	West	990
76	South	1320
77	West	990
78	North	1320
79	West	2640
80	North	4125.4
81	S89° 43' 56"W	5074
82	N0° 01' 20"E	1147
83	West	3985.94
84	West	21120
85	West	10560
86	North	10560
87	East	5280
88	North	5280
89	East	2640
90	North	5280
91	West	1320
92	South	330
93	West	1320
94	North	5610
95	West	5280
96	North	3960
97	East	330
98	South	1320
99	East	1980
100	North	2640
101	East	330
102	North	5280
103	West	1320
104	North	5940
105	North	4620
106	East	9600

LAFCO 3199
Sphere of Influence Amendment (Expansion) for the San Bernardino County Fire Protection District

LAFCO 3200
Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, its Service Zone FP-5, and the Divestiture of the fire function from Twentynine Palms Water District

AREA 1
Sphere of Influence Expansion for the San Bernardino County Fire Protection District

Annexation to San Bernardino County Fire Protection District (SBCFPD) and its South Desert Service Zone

Those Portions of: Township 1 South, Ranges 9 and 10 East; Township 1 North, Ranges 8 and 9 East; Township 2 North, Ranges 8 and 9 East S.B.M, San Bernardino County, State of California.

Sphere/Annexation Area Containing 56,919.14 Acres, More or Less
Section Lines
APN Assessors Parcel Number
Parcels
Point of Beginning
Course Endpoint
(#) Course Number

0 3,000 6,000 12,000 18,000 24,000 Feet

N

1 inch = 3,000 feet



THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION

PROFESSIONAL LAND SURVEYOR
JAMES IRA STONE
PLS No. 9075
Exp. 03-31-16
STATE OF CALIFORNIA

02/02/2016

James I. Stone **Date**
Deputy County Surveyor
PLS 9075 **Exp. 3/31/2016**

Job Number 00220LF0 - Revised February 2, 2016

APN Identifier	APN	APN Identifier	APN	APN Identifier	APN	APN Identifier	APN
69	014801161	343	026206142	684	015550102	972	026102107
82	014801169	344	026201148	699	026508213	973	026102125
90	014336118	345	026225102	700	026228165	974	026206141
91	014336121	346	026228177	701	026501108	979	027005115
97	014336115	347	026228176	702	026505113	993	034810124
98	014336111	348	026602133	703	026228203	994	034808105
99	015125102	349	026506120	704	026205124	995	034815123
100	015125109	350	026512148	705	026102105	1031	014336101
101	015125110	352	026201113	706	026201144	1032	015125107
102	015130101	353	026512145	708	027001309	1033	015120108
104	015120103	354	026602132	711	026636362	1034	015333403
107	015333406	361	027020109	712	027002103	1043	026204202
111	015336105	363	027101111	713	027001308	1044	026201149
112	015336102	380	034810135	725	034808108	1045	026201151
113	015336101	381	034815125	726	034810143	1046	026228185
122	015463104	419	015125105	727	034812122	1047	026228175
123	015463101	420	015130104	770	015120101	1048	026228173
124	015464109	423	015336103	771	015333405	1049	026822118
125	015548217	430	026201150	773	015549101	1050	026607209
127	015463105	432	026505117	786	026511117	1051	026503106
147	015532124	433	026508226	787	026201112	1052	026535106
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156	026228171	435	026201139	789	026228174	1054	026513140
157	026505112	436	026201145	790	026508222	1055	026604140
158	026205130	437	026535107	791	026508225	1056	026514103
159	026204210	438	026205127	792	026504112	1058	027007103
160	026225104	442	027001103	793	026535110	1060	027001206
161	026201142	443	027103180	795	026201140	1077	034811120
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164	026204213	462	034808131	823	034811111	1111	015532145
165	026228178	463	034808123	824	034815106	1115	026205116
166	026228181	464	034808121	825	034815105	1116	026225162
167	026228170	465	034809108	826	034812107	1117	026230148
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169	026228168	499	014336119	860	014336128	1119	026607124
170	026228164	505	014336116	862	014802210	1120	026506114
171	026228202	506	015125112	863	014336114	1121	026503109
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173	026602127	520	026228184	865	015124114	1123	026508224
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176	026508229	522	026225103	867	015120205	1125	026225128
177	026535108	523	026822134	870	015464204	1142	034812117
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179	026511149	525	026524127	878	026228183	1144	034815122
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184	026225154	529	026225101	882	026636333	1183	015548206
185	026102127	536	027005134	883	026225105	1190	026511118
186	026225115	558	034808120	884	026503124	1191	026514116
187	026225114	591	014801154	885	026535112	1192	026501106
188	026221107	598	014335414	886	026828111	1193	026503110
199	027007107	600	014335415	941	014336117	1194	026602141
200	027005121	605	015464110	942	014336120	1195	026518101
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206	027102106	613	026204236	944	015333404	1197	026604143
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225	027007102	617	026503125	957	026202208	1211	027005132
226	027011103	618	026506108	958	026201105	1212	027007106
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276	034808110	620	026205120	960	026222127	1221	034808122
277	034810142	621	026222115	961	026201137	1222	034810119
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279	034810163	625	027103148	963	026636220	1250	015130103
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281	034810179	642	034810178	965	026512147	1252	015120214
282	034812127	643	034812120	966	026512146	1253	015120201
283	034811125	678	014336113	969	026828117	1261	026228166
284	034812128	680	015120106	970	026602118	1271	027001307
338	015464301	681	015333402	971	026201141		



LAFCO 3199
Sphere of Influence Amendment (Expansion) for the San Bernardino County Fire Protection District
LAFCO 3200
Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, its Service Zone FP-5 and the Divestiture of the fire function from Twentynine Palms Water District

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Sphere/Annexation Area Containing 56,919.14 Acres, More or Less
Section Lines
APN Assessors Parcel Number
Parcels
Point of Beginning
Course Endpoint
(#) Course Number

0 1,700 3,400 6,800 10,200 13,600 Feet

N

1 inch = 1,700 feet

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION

PROFESSIONAL LAND SURVEYOR JAMES IRA STONE PLS No. 9075 Exp. 03-31-16 STATE OF CALIFORNIA

02/02/2016

James I. Stone Date
Deputy County Surveyor
PLS 9075 **Exp. 3/31/2016**

Job Number 00220LF0 - Revised February 2, 2016

SHEET 2 OF 3

T01NR07E

T01NR08E

T01NR09E

T01NR10E

T01SR07E

T01SR08E

T01SR09E

T01SR10E

APN Identifier	APN	APN Identifier	APN	APN Identifier	APN
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2	059105104	150	061309108	344	061310101
3	059114103	155	059129101	346	061304121
4	059110109	156	059108113	347	061302116
5	059108114	157	059011110	352	061301109
6	059007117	160	062429142	363	059105103
7	059010101	161	062429125	364	059103101
8	059009123	164	062331113	365	059012106
9	059108106	165	062429148	366	059012102
10	059108111	166	061401102	372	059013116
11	059110116	167	061401108	373	059013117
12	062429140	182	059105106	374	061314101
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27	062429147	186	059108108	381	061304112
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55	060907109	247	061309109	430	061418111
56	061419116	249	061301114	433	061421114
57	061401109	250	061316108	434	061419113
59	062331120	264	059010117	435	060908107
60	061601110	265	059108101	436	060908103
61	061601107	268	062429118	437	061313110
65	061309131	269	062428107	438	061302101
73	061505107	270	061622101	439	061601111
74	061305118	272	062429127	440	061419114
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76	061304116	276	061420118	455	059006109
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81	061316101	297	059010118	462	062429110
82	061315108	298	059106111	465	061419112
83	061304114	301	061621134	466	061420116
85	061309101	306	062429120	467	061621145
88	061316107	308	062429111	468	060908106
89	061316106	310	062424113	471	061419115
105	062428111	311	062330118	473	061601106
107	062424114	314	060902101	476	061301116
121	059007103	315	060908102	478	061315107
122	059111101	316	061314117	481	060902109
123	059110108	317	060908101	488	059105107
128	061418109	318	061301101	489	059011141
129	061401103	319	061305107	490	059108107
130	062428108	320	060909101	492	061601102
131	059134103	324	061301112	493	060907101
132	059006107	326	061316104	495	061309116
133	061309124	328	061315106	496	061501114
134	061309123	335	059006106	498	061318101
135	061305113	336	059202119	499	061310127
136	061305112	337	059130104	500	061315105
137	061401113	338	059010119		
144	061304113	341	062331110		



LAFCO 3199
Sphere of Influence Amendment (Expansion) for the San Bernardino County Fire Protection District
LAFCO 3200
Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, its Service Zone FP-5 and the Divestiture of the fire function from Twentynine Palms Water District

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0 2,000 4,000 8,000 12,000 16,000 Feet

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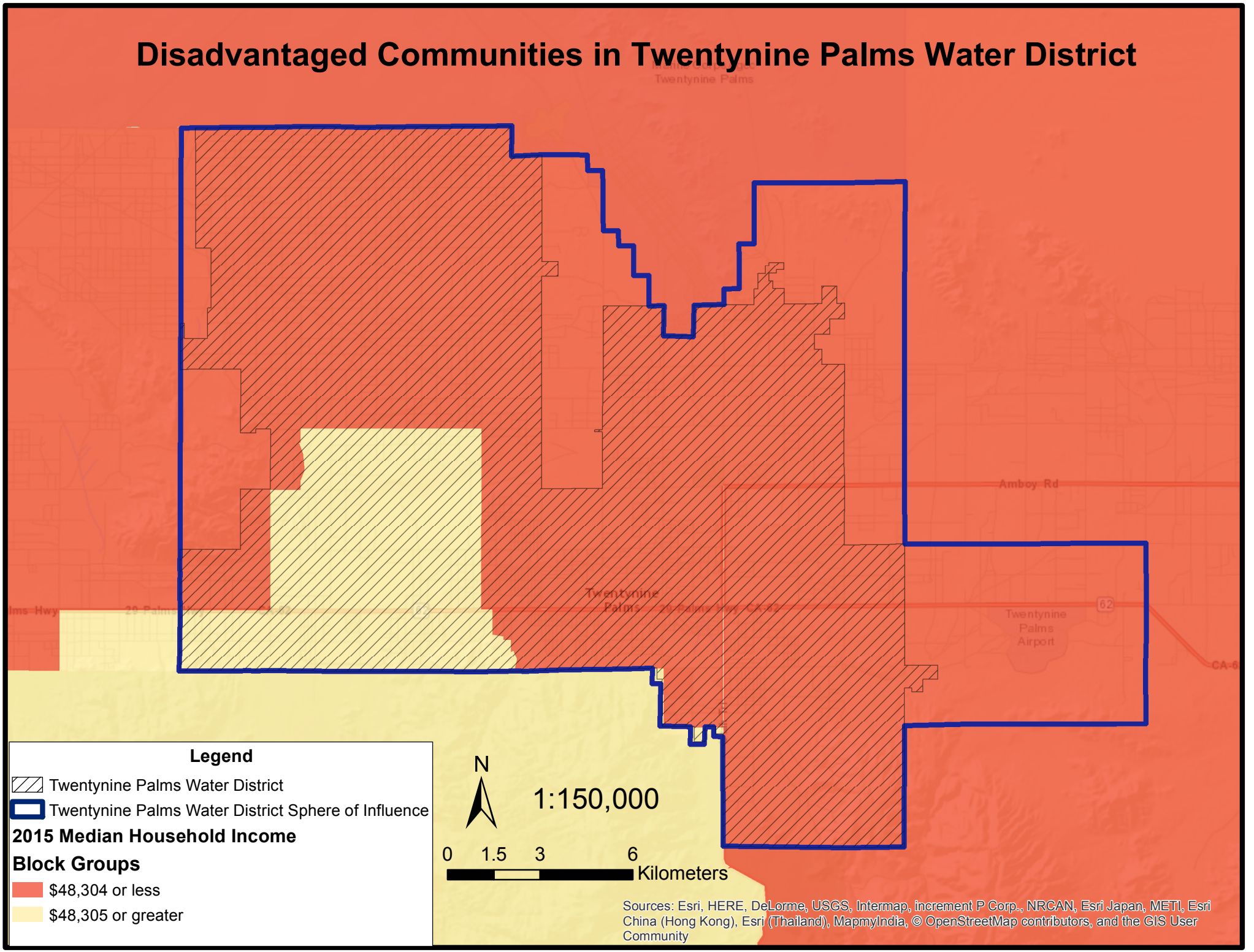
02/02/2016

James I. Stone Date
Deputy County Surveyor
PLS 9075 **Exp. 3/31/2016**

Job Number 00220LF0 - Revised February 2, 2016

SHEET 3 OF 3

Disadvantaged Communities in Twentynine Palms Water District



Twentynine Palms Water District/County Fire Application for Sphere of Influence Expansion, Twenty-Nine Palms Band of Mission Indians Resolution of Consent to Overlay and Supplemental Data

Attachment 2

RESOLUTION NO. 15-14

A RESOLUTION OF APPLICATION BY THE BOARD OF DIRECTORS OF THE TWENTYNINE PALMS WATER DISTRICT, AS THE GOVERNING BODY OF THE TWENTYNINE PALMS FIRE DEPARTMENT, REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO TAKE PROCEEDINGS FOR A SPHERE OF INFLUENCE AMENDMENT AND REORGANIZATION OF THE TWENTYNINE PALMS FIRE DEPARTMENT AND SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT AS MORE SPECIFICALLY DESCRIBED BELOW

WHEREAS, the Board of Directors for the Twentynine Palms Fire Department ("Department") desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for:

1. A sphere of influence amendment for the San Bernardino County Fire Protection District ("SBCFPD"); and

2. A reorganization proposal to include, but not limited to, annexation to the SBCFPD and its South Desert Service Zone and Service Zone FP-5, and divestiture of the fire functions of the Twentynine Palms Water District designating SBCFPD South Desert Service Zone and Service Zone FP-5, as appropriate, as the successor agency, as more specifically described in the District's application attached hereto; and

WHEREAS, the territory proposed for the reorganization is legally inhabited and a description of the boundaries for all actions is set forth in the District's application attached hereto, and by this reference incorporated herein; and

WHEREAS, the proposed reorganization does not conflict with any existing sphere of influence as the proposed change includes an amendment to the SBCFPD's sphere of influence to accommodate the proposed reorganization; and

WHEREAS, it is desired that the proposed reorganization be subject to the following terms and conditions:

1. As a function of the reorganization, to include Divestiture of the fire function of the Twentynine Palms Water District (hereafter identified as the "Department"), a condition of approval shall be included designating SBCFPD South Desert Service Zone as the successor agency for all assets attributable to the dissolving entity, including delinquent taxes, and any and all other collections or assets of the Department to be dissolved, shall accrue and be transferred to the Successor District, South Desert Service Zone of SBCFPD, pursuant to the provisions of Government Code Section 56810. The Successor District shall succeed to all rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the dissolving Department, except as otherwise outlined in the Conditions of Approval by the Local Agency Formation Commission ("LAFCO").

2. As a function of the reorganization, to include Divestiture of the Fire Function of the District, a Condition of Approval shall be included addressing the repayment of the unfunded retirement liability of the Department to the California Public Employees' Retirement System ("CalPERS") from revenues solely within the boundaries of the Department through creation of a separate Service Zone.

3. As a function of the reorganization, subject to the applicable Condition of Approval to be adopted by LAFCO, it is anticipated that the Special Parcel Tax of the Department will be extinguished and replaced by annexation to an existing SBCFPD Special Tax Service Zone, referred to as FP-5, which is currently set in amount of $143.92 and is subject to an annual 3% cost of living adjustment

4. The territory identified as the dissolving Department designating the successor agency SBCFPD South Desert Service Zone shall function under Division 2.5 of the Health and Safety Code for the provision of emergency medical services. The reorganization shall not reduce the geographic size, scope or boundaries of any existing EOA's as currently operated.

5. The appropriation limit of the SBCFPD South Desert Service Zone and Service Zone FP-5 shall be increased by the appropriation limit of the dissolving department.

6. All previously authorized charges, fees, assessments, and/or taxes currently in effect, now levied or collected by the dissolving Department, including improvement or assessment districts thereof, shall continue to be levied and collected by the successor agency.

7. Indebtedness of the Department shall remain the legal obligation of only the lands and areas that incurred such indebtedness.

8. The standard terms and conditions imposed by LAFCO upon all proposals or such additional conditions as may be deemed appropriate or necessary by LAFCO in its consideration.

WHEREAS, the reason for the sphere of influence amendment and proposed reorganization is to maintain the existing levels of services while providing for a sustainable revenue source to provide for said service and other related services within the territory of the former Department.

NOW, THEREFORE, BE IT RESOLVED that this Resolution of Application is hereby approved and adopted by the Board of Directors of the Twentynine Palms Water District, as the governing body of the Twentynine Palms Fire Department; and the Local Agency Formation Commission for San Bernardino County is hereby requested to take proceedings for the sphere of influence review and proposed reorganization as

described in the Department's application, in the manner provided by the Cortese-Know-Hertzberg Local Government Reorganization Act of 2000.

1. This Resolution of Application includes, but it not necessarily limited to, the following documents attached hereto and incorporated herein by reference: Plan For Service; Transition Plan; and Financing Plan showing at least five (5) years of projected revenues and expenditures.

2. The Secretary of the Board of Directors of the Twentynine Palms Water District, as the governing body of the Twentynine Palms Fire Department, is hereby authorized and directed to take such other actions and execute such other documents on behalf of the Department as may be necessary to accomplish the subject sphere of influence amendment reorganization.

3. The Department acknowledges and agrees to the Local Agency Formation Commission for San Bernardino County's requirement for imposing legal indemnification as outlined in Policies 10 and 11 of its Accounting and Financial Division of its Policy and Procedure Manual adopted June 2012.

4. This Resolution shall become effective upon its adoption.

PASSED AND ADOPTED by the Board of Directors of the Twentynine Palms Water District, as the governing body of the Twentynine Palms Fire Department this 26th day of August, 2015 by the following vote:

Ayes:	Directors Chambers, Horn, and Shinaver
Noes:	Director Giannini
Abstain:	None
Absent:	Director Moore

Chancey Chambers, Vice President
Twentynine Palms Water District

ATTEST:

Ray Kolisz, Board Secretary
Twentynine Palms Water District

REPORT/RECOMMENDATION TO THE BOARD OF DIRECTORS OF THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT AND RECORD OF ACTION

September 15, 2015

FROM: **MARK A. HARTWIG, Fire Chief/Fire Warden**
San Bernardino County Fire Protection District

SUBJECT: **RESOLUTION FOR REORGANIZATION OF THE FIRE DEPARTMENT OF THE TWENTYNINE PALMS WATER DISTRICT WITH SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT**

RECOMMENDATION(S)

Acting as the governing body of the San Bernardino County Fire Protection District (SBCFPD), adopt **Resolution No. 2015-182** requesting the Local Agency Formation Commission to commence proceedings for reorganization of the Fire Department of the Twentynine Palms Water District for annexation to SBCFPD.
(Presenter: James Johnstone, Deputy Chief, 387-5779)

BOARD OF SUPERVISORS COUNTY GOALS AND OBJECTIVES

Pursue County Goals and Objectives by Working with Other Agencies.
Provide for the Safety, Health and Social Service Needs of County Residents.

FINANCIAL IMPACT

Approval of this request for the Local Agency Formation Commission (LAFCO) to conduct the necessary proceedings for reorganization of the Fire Department of the Twentynine Palms Water District (TPWD) into SBCFPD will not result in the use of additional Discretionary General Funding (Net County Cost).

As a part of the LAFCO proceedings, an agreement will be developed to transfer a percentage of the TPWD ad valorem property tax to SBCFPD for fire protection services as required by the Revenue and Taxation Code. In addition, the territory of the annexation is proposed to be included in Service Zone FP-5 of SBCFPD subject to its existing parcel tax to ensure financial support for the agreed upon service level for the area.

BACKGROUND INFORMATION

On August 26, 2015, the Board of Directors of TPWD adopted a resolution requesting LAFCO to take proceedings for a sphere of influence amendment and reorganization of the Fire Department of TPWD. The reorganization proposal includes, but is not limited to, the divestiture of the fire protection functions of TPWD, as well as annexation of the subject territory into SBCFPD, its South Desert Regional Service Zone and Service Zone FP-5. On August 19, 2015, the City Council of the City of Twentynine Palms adopted a resolution in support of TPWD's action.

RECEIVED
SEP 22 2015
LAFCO
San Bernardino County

cc: w/resolution
SBCFPD-Hartwig
SBCFPD-Johnstone
LAFCO-Rollins-McDonald
CAO-Forster
File - SDD/SBCFPD w/attach
jr 9/16/15

ITEM 79

Record of Action of the Board of Directors

APPROVED (CONSENT CALENDAR)
COUNTY OF SAN BERNARDINO
San Bernardino County Fire Protection District

MOTION	MOVE	AYE	AYE	SECOND	AYE
	1	2	3	4	5

LAURA H. WELCH, SECRETARY

BY _____

DATED: September 15, 2015

Rev 7-14-15

SBCFPD is required to adopt a substantially similar resolution requesting LAFCO to commence proceedings for this reorganization; the recommended resolution will serve as the formal request for LAFCO to engage in the necessary proceedings.

The proposed reorganization will permit the subject agencies to streamline fire protection services to the subject territory, primarily within the City of Twentynine Palms. The reorganization of SBCFPD and annexation of TPWD into SBCFPD would result in the complete assumption of fire protection services by SBCFPD for the TPWD. Following completion of the reorganization and annexation proceedings, and execution of the property tax reallocation agreement, the TPWD will have no further funding obligations for fire suppression or emergency services within the territory.

PROCUREMENT
N/A

REVIEW BY OTHERS
This item has been reviewed by County Counsel (Carol Greene, Deputy County Counsel, 387-5455) on August 24, 2015; LAFCO (Kathleen Rollings-McDonald, Executive Officer, 383-9900) on August 24, 2015; Finance (Tom Forster, Administrative Analyst, 387-4635), on August 27, 2015; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on August 31, 2015.

above, and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Section 2. The San Bernardino County Fire Protection District acknowledges and agrees to the Local Agency Formation Commission for San Bernardino County's requirement for imposing legal indemnification as outlined in Section II Financial Accounting, Chapter 2 Financial Policies for Application Processing, Policy 3 -- Indemnification of its Policy and Procedure Manual adopted August 19, 2015.

PASSED AND ADOPTED by the Board of Directors of the County of San Bernardino, State of California, by the following vote:

AYES:	DIRECTORS:	Lovingood, Rutherford, Ramos, Hagman, Gonzales
NOES:	DIRECTORS:	None
ABSENT:	DIRECTORS:	None

* * * * *

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

I, **LAURA H. WELCH**, Secretary of the Board of Directors of the San Bernardino County Fire Protection District, hereby certify the foregoing to be a full, true and correct copy of the record of the action taken by the Board of Directors, by vote of the members present, as the same appears in the Official Minutes of said Board at its meeting of September 15, 2015. #79 jr

LAURA H. WELCH
Secretary

By _____ Deputy

SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT

RECEIVED
SEP 23 2015
LAFCO
San Bernardino County

3199
(FOR LAFCO USE ONLY)

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 application to allow the San Bernardino LAFCO, its staff and others to adequately assess the proposal. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your proposal. 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: Twentynine Palms Water District (hereafter known as TPWD), as the governing body of Twentynine Palms Fire Department, requesting the Local Agency Formation Commission to take proceedings for a sphere of influence amendment and reorganization of the Twentynine Palms Fire Department and San Bernardino County Fire Protection District (hereafter known as SBCFPD) as more specifically described below:

2. NAME OF APPLICANT: Twentynine Palms Water District

   APPLICANT TYPE: ☐ Landowner ☒ Local Agency ☐ Registered Voter ☐ Other_____

   MAILING ADDRESS: 72401 Hatch Road
   Twentynine Palms CA, 92277

   PHONE: (760) 367-7546

   FAX: (760) 367-6612

   E-MAIL ADDRESS: jthompson@29palmsfire.org

3. GENERAL LOCATION OF PROPOSAL: The TPWD boundaries as currently defined and in force. The TPWD is located in the south desert region of the County and is generally bordered by the Joshua Tree National Park on the south, the Joshua Basin Water District on the west, the Twentynine Palms Marine Corps Base on the north, and the Wonder Valley community, defined by County Service Area 70 Zone M, on the east. The City of Twentynine Palms, except that portion of the city located on the Twentynine Palms Marine Corps Base, is located within the boundaries of the TPWD.

4. Does the application possess 100% written consent of each landowner in the subject territory?
   YES ☐ NO ☒ If YES, provide written authorization for change.

5. Indicate the reason(s) that the proposed action has been requested. The purpose of the proposal is to maintain, or improve, the existing level of fire protection and emergency medical services while providing for a sustainable revenue source to provide for said service and other related services within the territory of the TPWD.

LAND USE AND DEVELOPMENT POTENTIAL

1. Total land area of subject territory (defined in acres): 56,919

2. Current dwelling units within area classified by type (single-family residential, multi-family [duplex, four-plex, 10-unit], apartments)
Single Family Residential: 6,586
Multi-Family (2-4 Units): 2181
Multi-Family (5 units plus): 588
Mobile Homes: 307
Source: California DOF, E-5, 2014

3. Approximate current population within area: 17,974 (based on the 2010 Census)

4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s): The City of Twentynine Palms - Open Space Residential, Rural Living, Single-Family Residential, Multi-Family Residential, Commercial, Industrial, Floodway, Tribal Land, and Public.

   San Bernardino County General Plan designation(s) and uses permitted by this designation(s): Rural Living, Resource Conversation, Commercial, and Institutional.

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: The proposal will have no direct effect on the land use designations.

6. Indicate the existing use of the subject territory. The proposal will have no direct effect on the existing land use designations.

   What is the proposed land use? The proposal does not propose any changes to the existing land use designations.

7. 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 ☒ If YES, please explain.

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

   ☐ Agricultural Land Uses ☐ Agricultural Preserve Designation

   ☐ Williamson Act Contract ☐ Area where Special Permits are Required

   ☐ Any other unusual features of the area or permits required:

9. Provide a narrative response to the following factor of consideration as identified in §56668(p): *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:*

   With respect to environmental justice, the proposal provides for the continuation of existing fire protection and emergency medical services within the area and will not result in the unfair treatment of any person based upon race, culture or income.

ENVIRONMENTAL INFORMATION

1. Provide general description of topography. The TPWD is located in the Morongo Basin which forms the southwestern corner of the Mojave Desert. This basin includes Joshua Tree National Park and

the Marine Corps Air Ground Combat Center. The Mojave Desert is separated from the Sonoran Desert to the south by the Little San Bernardino and Eagle Mountains, which are extensions of the Transverse Ranges. The western Mojave Desert is a flat, sparsely vegetated region that is interspersed with mountain ranges and dry lakes. The area is part of the high desert, large portions of which are at elevations between 2,500 and 4,000 feet above mean sea level.

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

Residential	28%	Agricultural	0%
Commercial	2%	Vacant	54%
Industrial	1%	Other	15%

3. Describe the surrounding land uses:

NORTH	Federal – Military Installation
EAST	Rural Living - Unincorporated
SOUTH	Federal – National Park
WEST	Rural Living - Unincorporated

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.).

   N/A

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

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

7. Is this proposal a part of a larger project or series of projects? YES ☐ NO ☒ 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 Kerron E. Moore, President, TPWD TELEPHONE NO. (760) 367-7546
ADDRESS: 72401 Hatch Road, Twentynine Palms, CA 92277

NAME Ray Kolisz, General Manager, TPWD TELEPHONE NO. (760) 367-7546
ADDRESS: 72401 Hatch Road, Twentynine Palms, CA 92277

NAME Jim Thompson, Fire Chief, TPFD TELEPHONE NO. (760) 367-2150
ADDRESS: 6560 Adobe Road, Twentynine Palms, CA 92277

NAME Mark Hartwig, Fire Chief, SBCFPD TELEPHONE NO. (909) 387-5779
ADDRESS: 157 West 5th St, San Bernardino, CA 92415-0451

NAME John Chamberlin, Division Chief, SBCFPD TELEPHONE NO. (760) 365-3335
ADDRESS: 6942 Airway Avenue, Suite A, Yucca Valley, Ca. 92284

(FOR LAFCO USE ONLY)

NAME Frank Luckino, City Manager, City of 29 Palms TELEPHONE NO. (760) 367-6799
ADDRESS: 6136 Adobe Road, Twentynine Palms, CA 92277

CERTIFICATION

As a part of this application, the Twentynine Palms Water District (the applicant) agree to defend, indemnify, hold harmless, promptly reimburse San Bernardino LAFCO for all reasonable expenses and attorney fees, and release 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, penalties, fines and other costs imposed upon or incurred by San Bernardino LAFCO should San Bernardino LAFCO be named as a party in any litigation or administrative proceeding in connection with this application.

As the person signing this application, I will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I understand that if this application is approved, the Commission will impose a condition requiring the applicant and/or the real party in interest to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

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 9/22/2015

SIGNATURE

Kerron E. Moore, President
Board of Directors
Twentynine Palms Water District

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. 8/19/2015

3199
(FOR LAFCO USE ONLY)

SUPPLEMENT
SPHERE OF INFLUENCE AMENDMENT

INTRODUCTION: The questions on this form are designed to obtain data about the specific sphere of influence amendment application to allow the Commission, staff and others to adequately assess the application. 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):

SPHERE EXPANSION
San Bernardino County Fire
Protection District
(South Desert Service Zone)
157 West Fifth Street
San Bernardino, CA 92415-0451

SPHERE REDUCTION
Twentynine Palms Water District
72401 Hatch Road
Twentynine Palms, CA 92277

2. Provide a narrative description of the following factors of consideration as outlined in Government Code Section 56425. (If additional room for response is necessary, please attach additional sheets to this form.)

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

Within the TPWD boundary and sphere of influence, roughly 73% of the land is privately owned and the remainder, 27%, is public, which are devoted primarily to resource protection and recreational use. Within the TPWD entire sphere area, approximately 40% is designated Rural Living, 14% Resource Conservation, and 1% a mix of Commercial, Institutional, and Floodway land uses. The remainder 45% is within the City of Twentynine Palms. Of the 45% District territory that is within the City's boundaries, approximately 46% is Rural Living, 34 % Single-Family Residential, 7% Open Space Residential, 3% Multi-Family Residential, 4% Commercial, 3% Industrial, 3% Public and Floodway.

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

The current provision of fire protection and emergency medical services was reduced from two staffed fire stations to one staffed fire station on June 1, 2013 due to the lack of a sustainable revenue source. Without a change of governance, further reductions in service will have to be implemented on July 1, 2016.

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

The South Desert Service Zone of the San Bernardino County Fire Protection District will be capable of maintaining, or improving, the provision of fire and emergency medical services.

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

Social and economic communities of interest include the City of Twentynine Palms, the Marine Corps Base, Joshua Tree National Park, Twentynine Palms Highway, and the Morongo Unified School District.

The present and probable need for public facilities or services related to sewers, municipal and industrial water, or structural fire protection for any disadvantaged unincorporated community, as defined by Govt. Code Section 56033.5, within the existing sphere of influence.

The current provision of fire protection and emergency medical services will be maintained, or improved by a change of governance to the South Desert Service Zone of the San Bernardino County Fire Protection District.

3. If the sphere of influence amendment includes a city sphere of influence change, provide a written statement of whether or not agreement on the sphere change between the city and county was achieved as required by Government Code Section 56425. In addition, provide a written statement of the elements of agreement (such as, development standards, boundaries, zoning agreements, etc.) (See Government Code Section 56425)

N/A

4. If the sphere of influence amendment 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 provided by the district(s). (See Government Code Section 56425(i))

Twentynine Palms Water District

FUNCTION	SERVICE
Water	Retail, agricultural, domestic, replenishment
Sewer	Planning and engineering
Fire Protection	Structural, watershed, first aid, rescue, prevention, inspection

San Bernardino County Fire Protection District

FUNCTION	SERVICES
Fire	Structural, watershed, prevention, inspection, suppression, weed abatement, hazardous materials services, rescue, first aid, paramedic, ambulance transportation, emergency response, and disaster preparedness planning

5. For any sphere of influence amendment either initiated by an agency or individual, or updated 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 affected area.

b. Location and characteristics of disadvantaged unincorporated communities within or contiguous to the sphere of influence.

c. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies, including those associated with a disadvantaged unincorporated community.

d. Financial ability of agencies to provide services.

e. Status of, and opportunities for, shared facilities.

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

To address "a" through "g", an excerpt (pages 67-104) of the LAFCO MSR of the Twentynine Palms Water District dated May 7, 2012 is attached.

If additional sheet are submitted or a separate document provided to fulfill Item #5, 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

As a part of this application, the Twentynine Palms Water District agree to defend, indemnify, hold harmless, promptly reimburse San Bernardino LAFCO for all reasonable expenses and attorney fees, and release 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, penalties, fines and other costs, imposed upon or incurred by San Bernardino LAFCO should San Bernardino LAFCO be named as a party in any litigation or administrative proceeding in connection with this application.

As the person signing this application, I will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I understand that if this application is approved, the Commission will impose a condition requiring the applicant and/or the real party in interest to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

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 9/22/2015

SIGNATURE

Kerron E. Moore, President
Board of Directors
Twentynine Palms Water District

Rev: krm – 8/19/2015

TWENTYNINE PALMS WATER DISTRICT
Service Review and Sphere of Influence Update

INTRODUCTION:

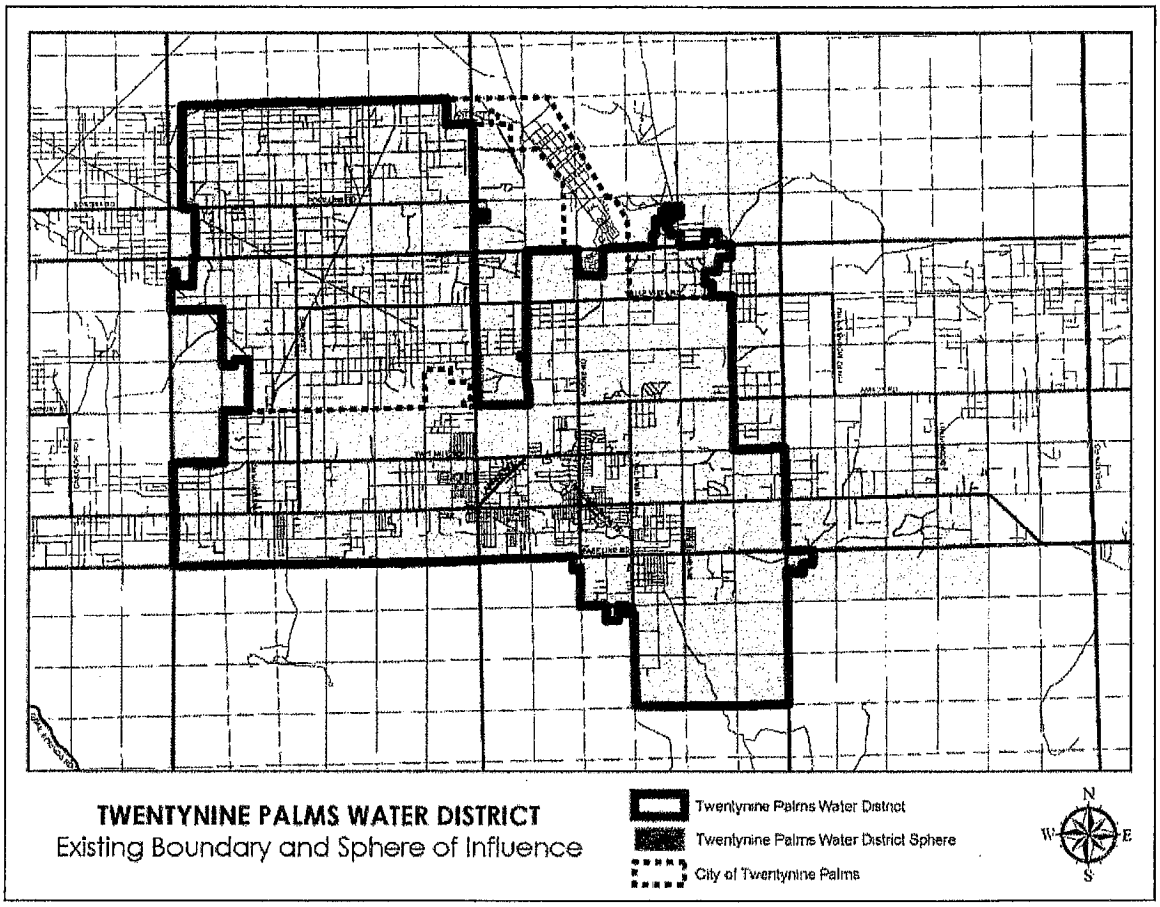
LAFCO 3104 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for the Twentynine Palms Water District ("Water District" or "District").

The Twentynine Palms Water District was formed in 1954 under the County Water District Law, for the purpose of supplying potable water and for other statutory purposes, including fire protection. The Water District is an independent special district with a five-member board of directors and operates under County Water District Law (Division 12 of the Water Code, Sections 30000 et seq.). Currently, the Water District is authorized by LAFCO to provide the functions of water, sewer (limited to planning) and fire protection pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts.*

As discussed in the Sphere of Influence Update section in this report for the Water District, staff is recommending modification to the District's sphere of influence to coincide with the Commission's definition for the Twentynine Palms community (sphere reduction of approximately 39.5 acres).

LOCATION AND BOUNDARIES:

The service review and sphere of influence update study area encompasses approximately 121 square miles. The service review and sphere study area is located in the south desert region of the County and is generally bordered by the Joshua Tree National Park on the south, the Joshua Basin Water District on the west, the Twentynine Palms Marine Corps Base on the north, and the Wonder Valley community, defined by County Service Area 70 Zone M, on the east. A map of the District and its current sphere are shown below and is included as a part of Attachment #3.



TWENTYNINE PALMS WATER DISTRICT SERVICE REVIEW

In 2003, LAFCO adopted the Governor's Office of Planning and Research (OPR) Municipal Service Review Guidelines by reference for its use during the conduct of service reviews. These Guidelines provide a step-by-step approach to understanding the service review process as set forth by Government Code Section 56430 as well as factors that LAFCO may wish to address in its service review of an agency.[26]

At the request of LAFCO staff, the District prepared a service review pursuant to San Bernardino LAFCO policies and procedures. The response to LAFCO's original and updated requests for materials includes, but is not limited to, the narrative response to the factors for a service review, response to LAFCO staff's request for information, and financial documents (included as Attachment #3). LAFCO staff responses to the mandatory factors

[26] State of California, Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

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

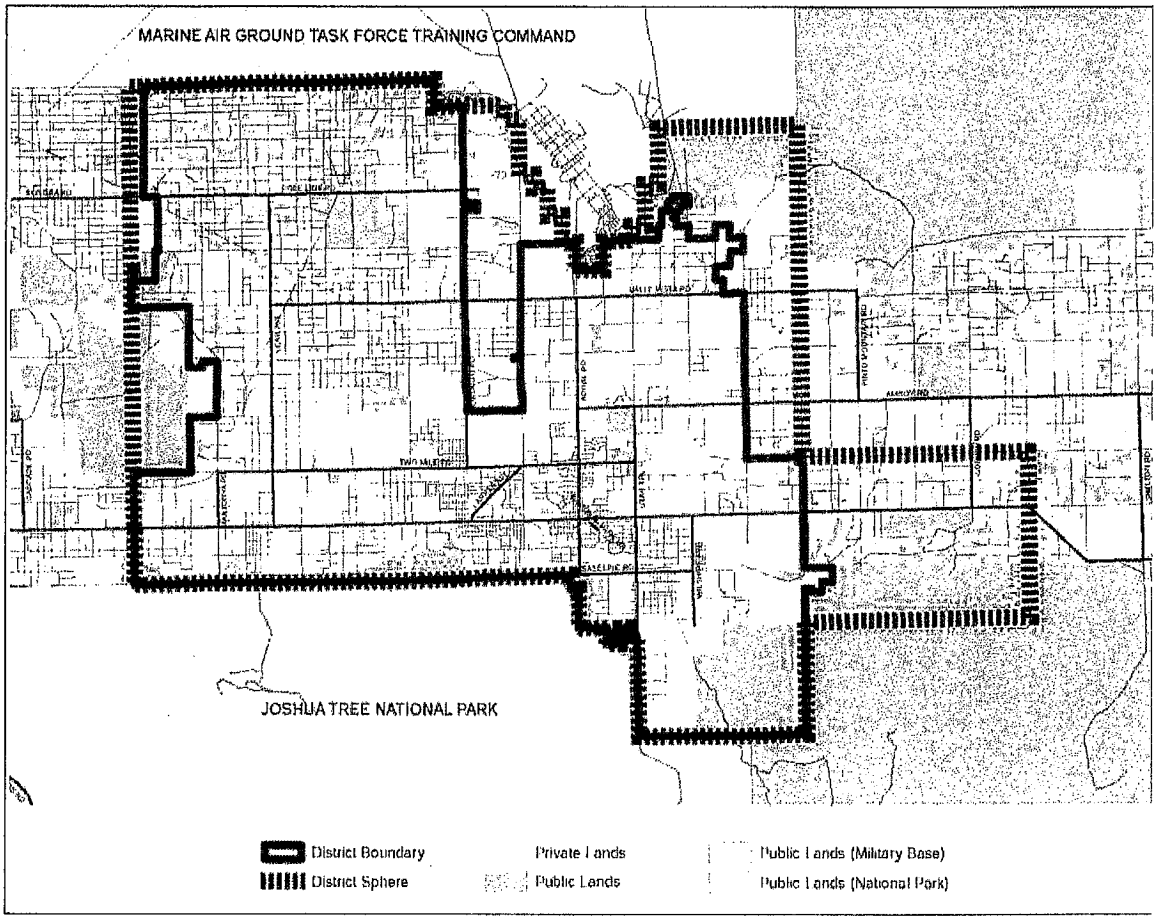
I. Growth and population projections for the affected area.

Land Ownership

The land ownership distribution and breakdown within the District's boundary and current sphere are identified on the map below. Within its entire sphere, roughly 73% of the land is privately owned and the remainder, 27%, is public, which are devoted primarily to resource protection and recreational use.

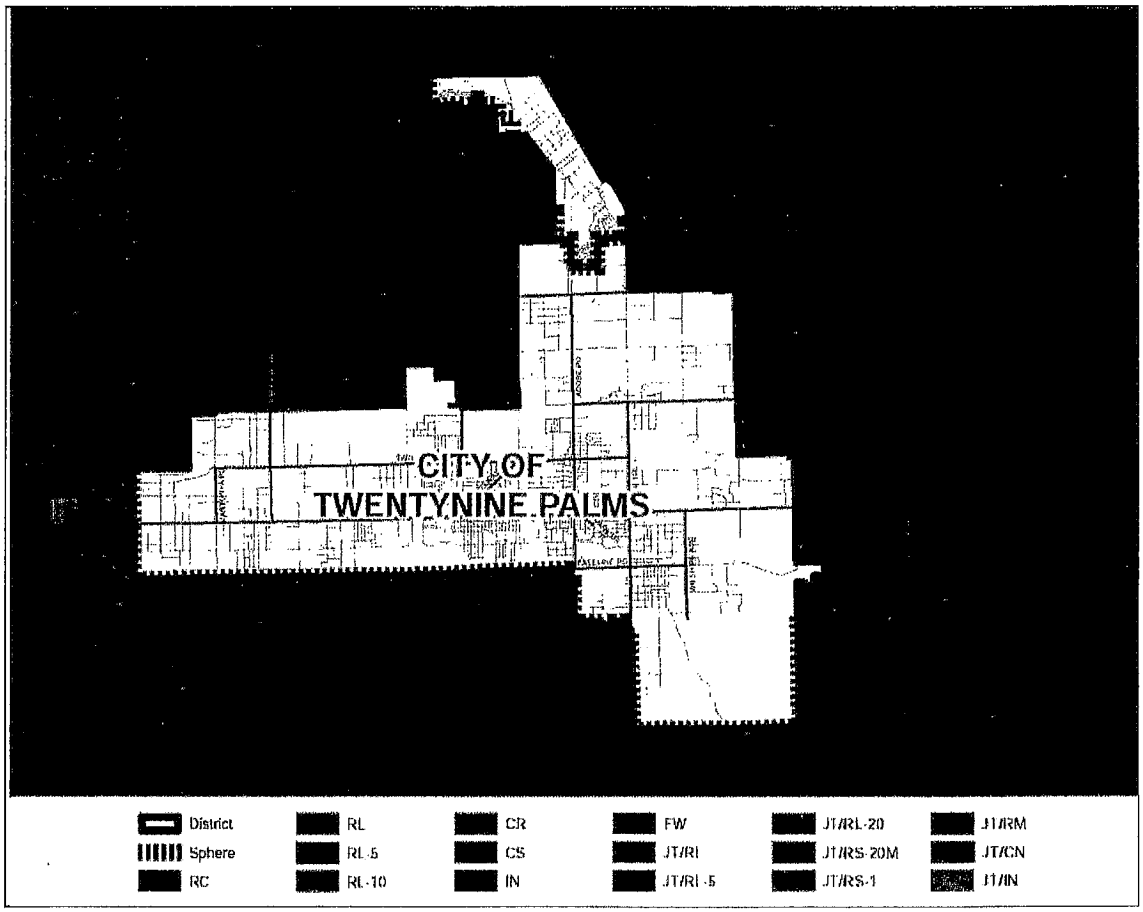
Land Ownership Breakdown (in Acres)
Within Twentynine Palms Water District

Ownership Type	Boundary	Sphere (outside boundary)	Total Area
Private	45,250	11,611	**56,861**
Public Lands – Federal (BLM), State, & others	11,669	8,888	**20,557**
Total	**56,919**	**20,499**	**77,418**



Land Use

The study area includes territory within the City of Twentynine Palms (portion) and the unincorporated County. Below is a map that identifies the County of San Bernardino's land use designations within the study area.



General Plan Land Use Districts (In Acres)
Within Twentynine Palms Water District

Land Use	Boundary	Sphere (outside boundary)	Total Area
City's Land Uses	35,184		35,184
County Land Use Designations			
Resource Conservation (RC)	2,680	7,821	10,501
Rural Living (RL)	4,444	2,228	6,672
RL-5	14,571	9,128	23,699
RL-10	40	930	970
Floodway (FW)		79	79
Service Commercial (CS)		10	10
Institutional (IN)		303	303
Total	**56,919**	**20,499**	**77,418**

Within the study area, approximately 40% is designated Rural Living, 14% Resource Conservation, and 1% a mix of Commercial, Institutional, and Floodway land uses. The remainder 45% is within the City of Twentynine Palms.

Incorporated Portion of the Study Area

Within the City boundaries, approximately 46% is Rural Living, 34 % Single-Family Residential, 7% Open Space Residential, 3% Multi-Family Residential, 4% Commercial, 3% Industrial, 3% Public and Floodway. The only portion within the City that is not a part of the study area is the portion within the Marine Corps Air Ground Combat Center identified in the City's General Plan as Military (approximately 2,450 acres). For a complete breakdown of the land uses with the City, please refer to the City's service review section related to land use (City's service review growth and population projections section, page 71).

Population

Population Projections

In 2000, the population within the Water District's boundaries was 15,827. Based on the 2010 Census, the current population for the area is 17,974. This represented an average annual growth rate of approximately 1.3 percent within the given period.

The projected growth for the Water District's boundaries was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the City of Twentynine Palms and the County's unincorporated area for the given periods, and the use of average annual growth rate (including a revision made by LAFCO staff related to City's population and the assumption of a constant population within to the Marine Corps Base). By 2040, the population within the Water District is estimated to reach 31,946. This represents a projected annual growth

rate of approximately 1.9 percent between 2010 and 2040, which also represents a total population increase of 78 percent from 2010.

Population Projection 2010-2040
Within the Twentynine Palms Water District

Census		Population Projection					
2000	2010	2015	2020	2025	2030	2035	2040
15,827[27]	17,974[28]	20,063[29]	22,410	24,486[30]	26,755	29,235	31,946

The population projections shown above may represent an unattainable growth trend based on the historic growth experienced in the region. In addition to the marginal growth experience in the last 10 years, there are other circumstances in the region that tend to restrict growth (i.e. water quality issues, potential for development restrictions related to the use of septic systems, etc.). Based on these issues, actual growth is expected to be much lower than projected.

Build-out

The table below provides the potential build-out within the Water District's territory. This build-out scenario takes into consideration the existing land use designations assigned for the area and the dwelling unit densities assigned for each residential land use[31].

Land Use Maximum Build-Out
Within the Twentynine Palms Water District

Land Use	Acreage	Density (D.U. Per Acre)	Maximum Build-out (DU's)
County Area Residential Land Use			
Resource Conservation	2,680	0.025	67
RL-10 (Rural Living 10 acres)	40	0.1	4
RL-5 (Rural Living 5 acres)	14,571	0.2	2,914
RL (Rural Living 2.5 acres)	4,444	0.4	1,778
City Area Total Residential Land Use	31,446		45,965
(land use breakdown on page 23)			
Water District Total Residential	**53,181**		**50,728**

[27] 2000 population data was derived from the 2000 Census for the Twentynine Palms Water District area.
[28] 2010 population data was derived from the 2010 Census for the Twentynine Palms Water District area.
[29] 2015 and 2020 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the City of Twentynine Palms and the unincorporated County area between 2010 and 2020 data.
[30] 2025, 2030, 2035 and 2040 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the City of Twentynine Palms and the unincorporated County area between 2020 and 2035 data.
[31] The information related to densities does not take into consideration the housing units within the Marine Base.

The population projections identified earlier indicates that the population within the Water District's territory will be 31,946 by 2040. Based on the maximum residential build-out within the Water District's territory, the projected maximum population is anticipated to reach 149,546[32]. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the Water District's territory will be 10,836 with a maximum potential build-out to reach approximately 50,728. These imply that the study area will reach 21 percent of its potential household and population capacity by 2040.

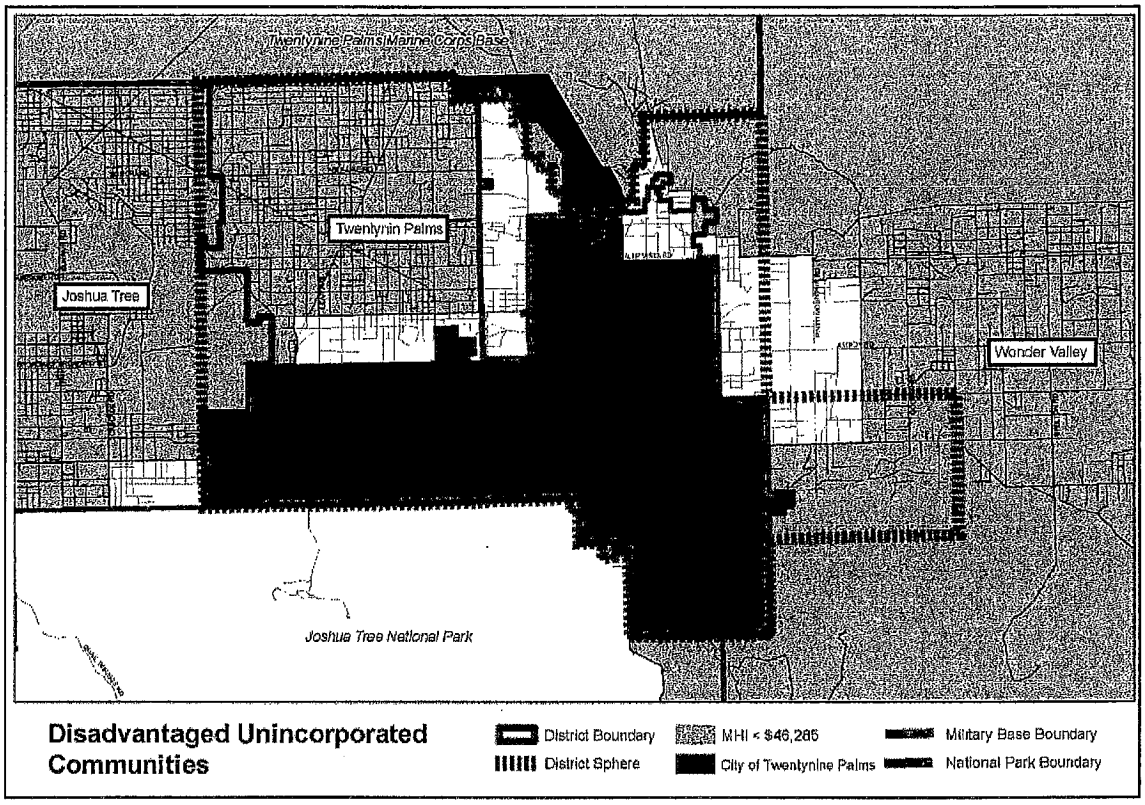
Population and Household Projection
Within the Twentynine Palms Water District

	Projection 2040	Maximum Build-out	Ratio of 2040 Projection with Maximum Build-out
Population	31,946	149,546	0.21
Households	10,836	50,728	0.21

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

Disadvantaged unincorporated communities are those communities that have an annual median household income that is less than 80 percent of the statewide annual median household income, which is under $46,285. Based on the census data[33], the map below illustrates the areas within and around the Water District's sphere of influence that are classified as disadvantaged unincorporated communities.

[32] Source: Persons per household @ 2.948 based on the ratio for the City of Twentynine Palms as identified in the State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark. Sacramento, California, May 2010.
[33] Median Household Income data is taken from the American Community Survey 5 year (2006-2010) summary using the block group level.



As shown on the map, portions of the Water District's unincorporated sphere of influence are considered disadvantaged unincorporated communities. The communities of Wonder Valley and Joshua Tree are communities considered disadvantaged unincorporated communities that are contiguous to the District's sphere of influence.

Within the Water District's unincorporated sphere of influence, the areas identified as disadvantaged unincorporated communities are comprised of sparse rural residential development with large lot residential development (primarily Rural Living, 5-acre lots).

The unincorporated community of Wonder Valley extends into (portion) and is adjacent to the Water District's eastern sphere of influence. The community is also very rural in nature with large lot residential development (primarily Rural Living, 5-acre lots).

The unincorporated community Joshua Tree is adjacent to the Water District's western sphere of influence. The community is characterized by an abundance of open space and natural resources. The community is also rural in nature with residential development primarily with a Rural Living (2.5-acre lots) land use designation. Located between the Town of Yucca Valley and the City of Twentynine Palms, Joshua Tree also serves as the entry point to the Joshua Tree National Park.

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 determination cites and incorporates excerpts from the following sources: 2010 Urban Water Management Plan, 2010 Consumer Confidence Report, 2008 Groundwater Management Plan Update, 1989 Fire Master Plan, the District's narrative response to the factors for a service review, and City of Twentynine Palms Draft 2010 General Plan Update. Other materials have been referenced but not cited.

A. Water

Managing and conserving water resources is critical in sustaining cities and population centers, and this is especially true for desert communities receiving marginal precipitation. Currently, the District is the sole retail water provider within the community, actively providing retail water service via a pressurized system to incorporated and unincorporated areas. The District provides limited hauled water opportunities for residents within its boundaries.

Groundwater Basins

The District currently relies solely on groundwater as its source. The District overlies three non-adjudicated groundwater basins: the Twentynine Palms Valley Basins (Mesquite Springs Basin), Joshua Tree Basin, and Dale Valley Basin. Within the Joshua Tree Basin are three subbasins: the Indian Cove, Fortynine Palms, and Eastern Subbasins. The District does not produce from the Dale Valley Basin.

Twentynine Palms Valley Groundwater Basin

The Twentynine Palms Valley Groundwater Basin encompasses 97.5 square miles and underlies most of the northern portion of the District's service area. Water is produced from this basin through the TP1 production well, which provides water for the Fluoride Removal Water Treatment Plant. Groundwater levels in the basin are generally stable. No water level declines have been observed in the basin.

Storage capacity of the entire Twentynine Palms Valley Basin, also known locally as the Mesquite Basin, is estimated in the Department of Water Resource's Bulletin 118 (last updated February 2004) as 1,420,000 AF. The basin is considered to be in overdraft, as the estimated annual rate of groundwater depletion is 1,500 AF while recharge is only 300 AF. Additionally, the Colorado River Basin Plan identifies the Twentynine Palms Valley Subunit of the Dale Hydrologic Unit as being an area where overdraft and increase of mineral content (particularly fluoride) of the groundwater are concerns. The District overlies and only pumps from the southern portion of this basin.

Joshua Tree Groundwater Basin

The Joshua Tree Groundwater Basin encompasses 53.8 square miles and underlies an area south of the Pinto Mountain fault beneath the town of Joshua Tree, eastward to immediately south of the town of Twentynine Palms. DWR Bulletin 118 estimates total storage capacity of the Joshua Tree Basin to be 2,540,000 acre-feet (AF). This estimate applies to the entire groundwater basin, and not just the overlying area which the District manages. Groundwater in storage was estimated to be 1,010,000 AF. Actual groundwater extractions in the Joshua Tree Basin are measured by the Joshua Basin Water District. Data suggest that extractions between 1985 and 1995 were over 50 percent more than natural recharge and that groundwater levels have dropped by an average of 1 foot per year since about 1973.

Indian Cove Subbasin

The Indian Cove Subbasin encompasses 20 square miles and is located southwest of the City of Twentynine Palms in the Joshua Tree Basin. Five of the District's production wells are in this subbasin. The stream valley rarely floods, suggesting that a significant part of the runoff is infiltrating into the groundwater. Water level declines of less than 10 feet have been observed in this subbasin.

Fortynine Palms Subbasin

The Fortynine Palms Subbasin is the smallest of the District's Subbasins in volume and watershed. Three of the District's production wells are in this Subbasin. Water level declines of nearly 50 feet have been observed in the Fortynine Palms Subbasin.

Eastern Subbasin

The Eastern Subbasin has the largest watershed and sediment volume of the District's Subbasins. One of the District's production wells is in this subbasin. Water level declines of between 10 and 25 feet have been observed in the Eastern Subbasin. Water in the Eastern Subbasin has higher fluoride levels than any of the other subbasins.

Current Supply, Demand, and Facilities

Connections

The District currently serves 7,983 connections, all of which are metered accounts. Approximately 94 percent of the service connections are residential. Commercial connections account for approximately 4.5 percent, landscape irrigation connections account for less than one percent, and fire protection/non-potable connections account for the remaining 1.4 percent of the District's total connections. Records going back to 1994 indicate the relatively similar percentage distributions amongst the land use types. The Marine Corps base provides its own water supply and is not associated with any of the numbers and projects in the Urban Water Management Plan.

Supply and Demand

Potable water is scarce in the District for several reasons:

1) The area receives an average of only four inches of annual rainfall.
2) There is negligible infiltration of direct precipitation in areas where the alluvial deposits are thick.
3) A substantial amount of runoff is lost to evaporation after flowing into the basin.
4) Some of the water is unsuitable for drinking water due to naturally-occurring soluble minerals, such as fluoride.

Water provided by the District is derived solely from groundwater pumped from supply wells located along the southern limit of the service area. As of 2010, the District has ten active production wells. The remaining wells are inactive and/or used for groundwater monitoring. Available information indicates that more than 400 private wells have also been constructed within the District's service area. Most of these wells are not currently operated.

Historic pumping and water deliveries by the District have steadily increased since its formation in the mid-1950s. Annual pumping in the 1990s regularly exceeded 900 million gallons (approximately 2,760 acre-feet per year [AFY]), with average daily delivery per service connection slightly under 400 gallons. Total water demand in the District was 2,674 acre-feet (AF) in 2010, with a projected demand of 3,119 AF in 2035.

In 2008, the District identified to LAFCO that current annual water delivery within the District is 1,084,760 gallons. Average daily flow is approximately 2.97 million gallons or approximately 43% (6.897 mg) of system capacity. The District is at approximately 43% capacity with about 8,000 connections. At the current average daily demand, the system could accommodate an additional 10,374 connections until full capacity is reached (approximately 18,000 connections). As for storage, there are 12 storage tanks for a total storage capacity of 17 million gallons. At an average daily use of 2.97 million gallons, this represents approximately 5.7 days of water usage.

In April of 2002, the District completed source water assessments for all active drinking water wells. Wells 4, 14 and 16 are considered most vulnerable to the following activities associated with the contaminants detected in the water supply: septic systems, high density housing, office buildings/complexes, schools and parks.

Bulk Hauled Water

In remote areas of the south desert, the hauling of domestic water is the sole means for water acquisition. In a joint letter to county planning and building departments in 2003, the California Department of Health Services[34] and the California Conference of Directors of Environmental Health specify that, "bulk hauled water does not provide the equivalent level of public health protection nor reliability as that provided from a

[34] The California Department of Health Services has been reorganized since 2003 and water related health issues are coordinated under the California Department of Public Health.

permanent water system or from an approved onsite source of water supply." This statement is based on five potential public health risks for hauled water:

1. The potential for contamination exists when water is transferred from tanker trucks to water storage tanks.
2. Storage tanks are often the source of bacterial contamination.
3. There is no assurance that licensed water haulers follow State guidelines at all times.
4. The future reliability of hauled water is susceptible to economic conditions.
5. There is generally a higher risk for contamination.

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

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

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

Section 31023 of the California Water Code, within County Water District Law, states that a district may sell surplus water for use outside its boundaries. The District has identified that it does have a small amount of bulk water hauling activity within the community but does not have a declared surplus of water. The District maintains one site where private individuals and a small number of commercial water haulers purchase water that is used both inside and outside District boundaries. Generally, this water is consumed by households where infrastructure is not available. These sales amount to approximately four million gallons per year.

Water Quality

The quality of water in the community is typically good, besides a few areas with high fluoride and total dissolved solids levels, per the District Urban Water Management Plan. Another contaminant to groundwater quality is effluent from septic tanks which is used throughout the community due to a lack of a centralized sewer system. The region has

generally a low density population and minimal industry; therefore, the aquifers are not expected to be impacted significantly.

The District's 2009 Consumer Confidence Report indicates the groundwater meets federal and state MCL standards. Source Water Assessments for nine active wells were completed in April 2002. The newest (tenth) well was installed in 2009 and a Source Water Assessment was performed in 2007.

Fluoride

The current State limit for fluoride in drinking water permits an MCL (Maximum Contaminant Level) of 2.0 milligrams per liter (mg/L). On January 21, 1993, the District was granted a variance from the California Primary Drinking Water Standard for fluoride, which states, "The District shall not serve water containing fluoride levels in excess of 3.0 milligrams per liter (mg/L) or 75% of the U.S. Environmental Protection Agency Primary Drinking Water Standard (currently at 4.0 mg/L), whichever is higher." This variance was granted due to the elevated levels of naturally occurring fluoride in the District's source water. The variance from the Primary Drinking Water Standard for fluoride will be in effect for a period of up to 30 years from the date of issuance subject to the following provisions:

1. Every five years, beginning in January 1998, the District shall submit a report to the Department of Health Services evaluating community acceptance of the fluoride levels being served.
2. The Department of Health Services advises the District in writing of its findings that there is no significant public opposition from the community served by the District and that the variance does not pose an unreasonable risk to the consumer's health.
3. Other provisions to the variance include:
    a. That the variance may be withdrawn upon reasonable notice by the Department of Health Services, if the Department determines that the community no longer accepts the fluoride level authorized by the variance.
    b. The District shall provide quarterly consumer notification of the variance in accordance with Section 64464.6 of the California Domestic Water Quality and Monitoring Regulations.
    c. A fluoride monitoring plan, approved by the Department of Health Services, that monitors and reports all fluoride levels in the distribution system and water produced by all sources.

The District maintains acceptable levels of fluoride through the use of wells with lower levels of fluoride being pumped as much as possible when water demand on the system dictates. In April 2004, the Department of Health Services issued a permit to the District allowing full operation of the Fluoride Removal Plant, which currently is producing approximately one million gallons a day (1 MGD) of potable drinking water. The plant extracts water from the Mesquite Springs aquifer to remove high levels of naturally occurring fluoride. This aquifer is a significant source of water for the District and on-going studies will determine future production rates from the plant to better manage its groundwater resources.

Future Supply, Demand, and Facilities

No additional sources of water are anticipated to be available to the District in the future. As shown below, the District also has a pumping capacity of 490 gpm (790 AFY) from the Eastern Subbasin. This amount along with the 2,100 gpm capacity (3,395 AFY) in Mesquite Lake Subbasin yields a total of approximately 6,985 AFY of available future groundwater supply. There is the potential to expand the Mesquite Lake Subbasin facilities to include another well if needed in the future. This additional well would improve reliability by allowing for redundancy in the Mesquite Lake Subbasin as well as increasing pumping capacity.

TABLE 3-3
GROUNDWATER PUMPING CAPACITY

Basin Name	Pumping Capacity (gpm)	Pumping Capacity (AFY)
Mesquite Springs Basin[a]	2,100	3,395
Joshua Tree Basin		
Fortynine Palms Subbasin[b]	870	1,400
Eastern Subbasin[a]	490	790
Indian Cove Subbasin[b]	870	1,400
Total	**4,330**	**6,985**

Notes:
(a) Pumping capacity of Twentynine Palms Water District
(b) DWR recommended pumping limit to prevent overdraft

Source: 2010 UWMP

Twentynine Palms is dependent on groundwater and to maintain reliability of that source, the District must implement the Best Management Objectives (BMOs) to meet demand. The District expects growth, albeit slow. Overdraft is considered a challenge for reliability of supply and is addressed in the Groundwater Management Plan.

These BMOs establish the water level and water quality conditions that are acceptable in the basin and address conditions that need to be remedied. The BMOs established for the Twentynine Palms Water District are:

BMO #1 - Minimize long-term drawdown of groundwater levels
BMO #2 – Maintain groundwater quality
BMO #3 – Monitor and track groundwater levels, quality, and storage
BMO #4 – Reduce water consumption through water conservation
BMO #5 – Facilitate groundwater replenishment projects
BMO #6 – Identify and obtain funding for groundwater projects

In order to reduce groundwater overdraft, the amount of recharge experienced by the District's Subbasins could be increased through "artificial recharge." Since the District does not have access to imported surface or recycled water sources, the only source of water for replenishment is the impoundment or collection of runoff. Therefore,

groundwater replenishment should be increased by maximizing the use of the only source of recharge available (precipitation) by providing recharge enhancement.

Better management of the District's groundwater supplies alone does not provide a complete solution to declining water levels in the District's service area. While the District's residential water use is relatively low at 0.31 AFY per household, savings in residential water use could be accomplished through additional conservation efforts. The District could implement more aggressive water conservation efforts to reduce demand for groundwater resources and pumping in the region.

The District does not have access to imported water sources, and is restricted in its ability to recharge its basins. Connection to imported water from either the Metropolitan Water District of Southern California ("Metropolitan" - Colorado River supplies) or the Mojave Water Agency ("MWA" - State Water Project supplies) does not appear to be a viable option for the District as the District is not within the service area of either agency. Annexation to either agency would be required to receive water supplies through a limited allocation of supplemental water. Metropolitan's closest facilities are more than 45 miles southwest of the District; MWA's facilities extend no closer than Yucca Valley, approximately 23 miles west of the District. The District Board has on two occasions voted against extending imported water service to the District. However, a regional project with the potential to alter this scenario is the "Cadiz Project" for storing water in the Cadiz groundwater basin. The District would still need to acquire water for storage from the Colorado River, but its proximity is much closer to the District's existing service area than other options.

Recycled Water

The District does not have a municipal sewer system or a wastewater treatment plant. At this time all residential and non-residential accounts use septic tank systems for the disposal of wastewater. The construction of a centralized system has been deemed infeasible by local jurisdictions; however, the use of package wastewater treatment plants has been approved. LAFCO staff understands that at least three plants are operational within the District and City of Twentynine Palms and several others have been approved but not yet constructed. Alternatively, the District has considered partnering with other agencies; however, the nearest water agency is 25 miles away and an intertie is cost prohibitive at this time. Therefore, at this time there are no opportunities for water recycling or programs that include recycled water.

In 2008 the City of Twentynine Palms commissioned a report to study the feasibility of a centralized wastewater system. The report recommended a decentralized system that relies on the Marine Corps Station sewage facilities. The cost of the system was estimated between $55 and $80 million in capital costs. As the District is rural and has slow growth, the cost was deemed prohibitive. The study proposed a phased approach with final completion of sewage system in 2040 to mitigate the cost.

The District recognizes the importance of recycled water and water reliability; however, due to the small size of the system, low annual demand and the use of individual septic systems, a recycled water system is not a feasible solution. As an alternative the

District will invest in water conservation approaches to reduce demand and compensate for the lack of recycled water. As water is primarily used on landscape, the District has developed approaches to emphasize outdoor water conservation.

Landscaping and Irrigation

The Water District currently does not have an adopted landscape ordinance and is using the "Let's Go Native...with our Landscaping" guidelines developed by Twentynine Palms Groundwater Guardian Team. The guidelines recommend the planting of climate appropriate drought tolerant landscaping to minimize water usage for landscaping throughout the City. Also the City does has an adopted Model landscape ordinance and includes California Green Standards for development. The District has adopted a resolution of concurrence for this program.

Capital Improvement Budget

The District in its FY 2011-12 Water Budget identifies the following projects through FY 2015-16. The largest project, totaling $10 million, will provide for an additional three million gallons per day of treated water. The District has identified that the funding for the future expansion of the treatment plant and an additional reservoir associated with this project will come from new debt (existing District debt is scheduled to be paid off in 2015).

FY 2011-12 Water Capital Budget

Capital Improvement Projects

	PROJECT:	Fiscal 2011-12 Budget	Estimated Fiscal 2012-13	Estimated Fiscal 2013-14	Estimated Fiscal 2014-15	Estimated Fiscal 2015-16
a.	Engineering, Treatment Plant Expansion	500,000	0	0	0	0
b.	Additional Reservoirs	0	1,000,000	800,000	0	0
c.	Updates to Regulatory Plans	0	80,000	0	0	80,000
d.	Treatment Plant Expansion, Additional 3 MGD	0	0	0	10,000,000	0
	Total Capital Improvement Projects	$500,000	$1,080,000	$800,000	$10,000,000	$80,000

Source: FY 2011-12 Water Capital Budget

Water Rates

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

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

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

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

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

Disadvantaged, Unincorporated Communities

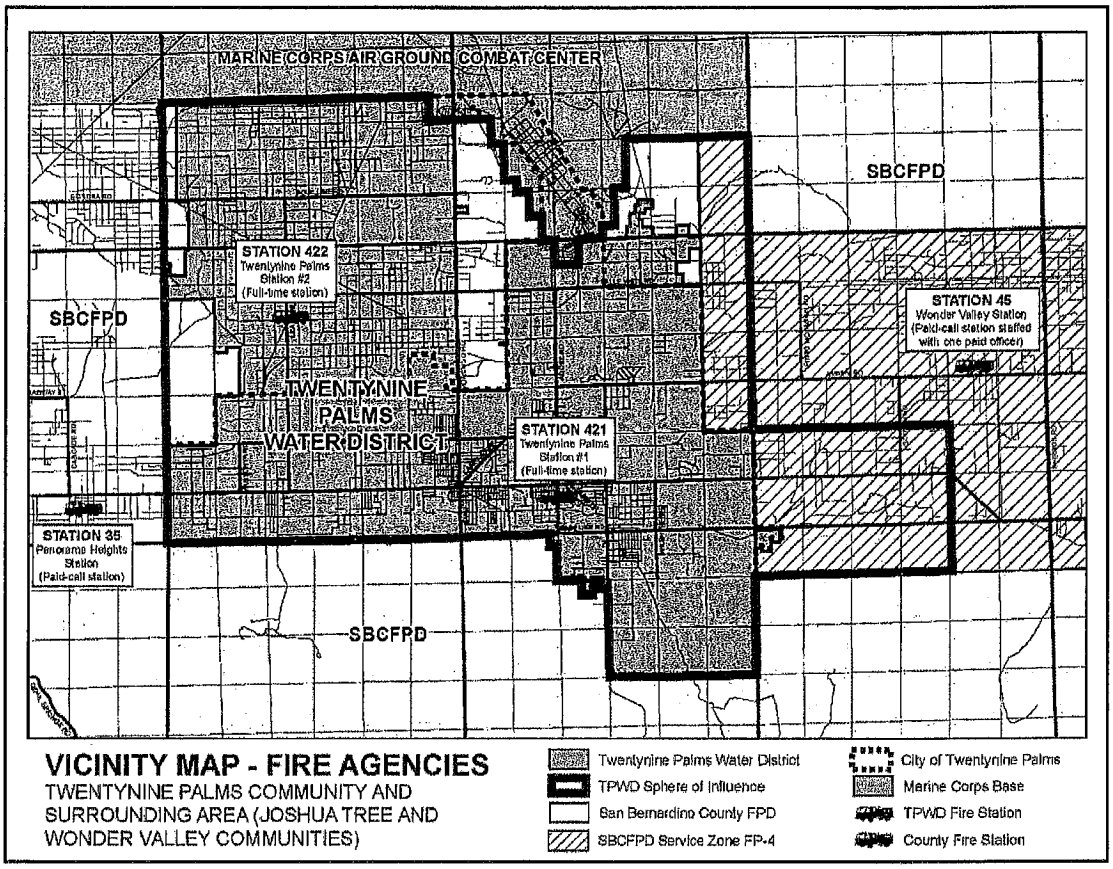
The disadvantaged, unincorporated communities within or contiguous to the District's sphere lack a pressurized water system. Any community contiguous to the District's sphere desiring connection to any potential system would require at a minimum inclusion within the District's sphere and most likely annexation. Further, any potential connection would most likely include installation and connection fees/charges/taxes. However, the implementation of a water system would be too costly based upon existing land use patterns and types of use. Population densities are so low that there are not enough customers to financially support the construction of a water system.

B. Fire

1. Community Overview

The District Fire Department ("Twentynine Palms Fire") was created by District Ordinance #14 on August 7, 1958 after the California Department of Forestry ceased providing local fire protection. Since the incorporation of the City in 1987, Twentynine Palms Fire serves the City and areas outside of the City. The services provided by Twentynine Palms Fire include fire prevention, fire suppression, emergency, medical aid, hazardous materials containment, and protection from excessive property damage.

Fire protection services for the areas of the City's Sphere of Influence, which are not served by Twentynine Palms Fire, are to be provided by the San Bernardino County Fire Protection District ("County Fire") - South Desert Service Zone. County Fire provides administration and support along with other services such as hazardous materials regulation, dispatch communication and disaster preparedness.



There are two County Fire stations located near the Twentynine Palms community. One station is in the Wonder Valley community, Wonder Valley Station 45 located at 80526 Amboy Road, which is a paid-call station that is staffed with two paid-call firefighters (another station in Wonder Valley, Station 47, is currently unmanned). The other station close to the study area is a Joshua Tree community fire station, Panorama Heights Station 35, located at 6562 Sierra Avenue, which is currently unmanned (the closest manned station in Joshua Tree, Station 36, is at 6715 Park Boulevard).

The Marine Corps Air Ground Combat Center Fire Department, known as the Combat Center Fire Department ("CCFD"), provides fire and emergency medical services to both military and civilian personnel on the base, and also to the surrounding local communities. The CCFD responds to emergency calls in the City

of Twentynine Palms and surrounding areas as part of mutual joint response agreements with other fire departments.

Twentynine Palms Fire also enhances fire safety in the community through coordination of education programs designed to increase community involvement. The CCFD provides public education by teaching children home fire safety and what to do in the event of a fire. It also provides monthly training in First Aid and CPR, and free EMT recertification classes to the public.

Several State and Federal agencies have roles in fire hazard mitigation, response and recovery, depending on the type of incident and its location. These agencies include the Office of Emergency Services, Office of Aviation Services, National Weather Service, the Department of the Interior and, in extreme cases, the Department of Defense. The CCFD provides assistance as needed to the Twentynine Palms Fire Department. In forest and open areas, agencies that often assist with fire suppression include the National Park Service, US Forest Service, National Association of State Foresters, Fish and Wildlife Service, the Department of Agriculture and the California Department of Forestry and Fire Protection.

Unincorporated Peninsula

Referencing the map above, in the center of the community there is a one mile wide unincorporated peninsula that extends five and half miles in a north/south direction bordered by the Water District and the Marine Corps Combat Center. This peninsula is within the boundaries of County Fire and is within the Water District's sphere of influence. The closest County Fire station is Station 45 in Wonder Valley, the CCFD is immediately to the east, and the nearest Water District fire stations are Station 421 and/or Station 422, depending on the specific incident location.

County Fire, as the agency responsible for service to this area, has existing mutual aid agreements with the Water District and the CCFD. Therefore, Twentynine Palms Fire responds to this area for the majority of incidents. LAFCO staff understands that the Twentynine Palms Fire Department desires a contractual arrangement for payment to serve this area since County Fire has service contracts in other parts of the county. County Fire, in its response to the draft staff report, states that it believes that the existing aid agreement and a proposed update to the agreement are appropriate without monetary terms and that a new contract is not necessary.

2. District Resources and Activities

Staffing and Equipment

Twentynine Palms Fire provides the following services to an 87 square mile service area covered by two fire stations (as shown on the map above);

- Station 421 – 6560 Adobe Road (Headquarters)

  This station is staffed 24-hours a day by a 3-person engine company consisting of a career (paid) company officer and two volunteer reserve firefighters.

  Station 421 equipment:

  - Engine 421: 1993 E-One, 1500 gallons per minute (GPM), 500 gallon tank
  - Reserve Engine 421: 1988 Smeal, 1250 GPM, 500 gallon tank
  - Truck 421: 1997 Pierce, 75' aerial, 1500 GPM, 300 gallon tank
  - Brush Patrol 421: 2002 4x4 Pierce/Ford, 500 GPM, 250 gallon tank
  - Chief 5000: 2003 4x4 Ford F150, Command Vehicle
  - Utility 421: 2001 4x2 Ford F150

- Station 422 – 3834 Lear Avenue (Desert Heights)

  This station is staffed 24-hours a day by a 3-person engine company consisting of a career (paid) company officer and two volunteer reserve firefighters.

  Station 422 equipment:

  - Engine 422: 2007 Pierce, 1500 gallons per minute (GPM), 750 gallon tank
  - Reserve Engine 422: 2000 Pierce, 1250 GPM, 500 gallon tank
  - Rescue 422: 1986 E-One/Ford, CAL EMA light rescue, lighting, air support
  - Captain 421/422: 2008 4x4 Ford F150, Command Vehicle

Operational command is handled by a career duty officer (Fire Chief or Captain) who is either in station or on-call within the district.

- Fire Suppression
- Emergency Medical Response (Basic Life Support)
- Victim Rescue
- Hazardous Material Emergency Response – Operational Level
- Fire Investigation (Basic Cause and Origin)
- Fire Prevention and Plan Review
- Public Safety Education

The career full-time staff consists of the Fire Chief and six company officers (two Captains and four Engineers). They are assisted by one part-time administrative assistant and 30 volunteer reserve firefighters. The company officers work 72 hours per week and are trained in all the diverse aspects of today's fire service. Besides training in structural and wildland firefighting and as emergency medical technicians, these company officers have additional training, in hazardous materials and

technical rescue (vehicle extrication, swiftwater, high-angle, trench, and confined space), required to lead the reserve firefighters.

According to the Twentynine Palms Fire, the reserve firefighters are men and women seeking full-time careers in the fire service. They have received basic training as firefighters and emergency medical technicians at community colleges throughout Southern California including the Fire Technology Program at Copper Mountain College. These reserve firefighters normally stand one 24-hour shift per week at a fire station. Many of them travel 100 miles or more, one way, from their homes in Southern California to stand duty in Twentynine Palms. Their service allows Twentynine Palms Fire to maintain daily staffing at both fire stations and they gain valuable experience and additional training as they pursue the goal of a full-time career in the fire service.

Calls and Response Times

In general, the District's responses within its boundaries for the past five years has been relatively even for number of calls and average response time. In 2011, the overall average response time was six minutes and 29 seconds for all calls within the 87 square mile district. The first unit arrived on scene in eight minutes or less 85% of the time.

29 Palms Fire Department Incident Response in District (5 Year History)
(does not include "dispatched and canceled enroute)

January 1, 2007 to December 31, 2007

Category	Number of Calls	Average Response Time
Medical	1546	06:21
Fire	82	06:46
Traffic	145	05:37
Other	377	07:29
Total	2150	06:31

January 1, 2008 to December 31, 2008

Category	Number of Calls	Average Response Time
Medical	1566	07:06
Fire	92	07:10
Traffic	127	05:54
Other	349	06:56
Total	2134	07:00

January 1, 2009 to December 31, 2009

Category	Number of Calls	Average Response Time
Medical	1634	06:06
Fire	82	06:09
Traffic	118	06:33
Other	335	07:37
Total	2169	06:22

January 1, 2010 to December 31, 2010

Category	Number of Calls	Average Response Time
Medical	1612	06:18
Fire	65	08:02
Traffic	116	06:29
Other	325	07:26
Total	2118	06:32

January 1, 2011 to December 31, 2011

Category	Number of Calls	Average Response Time
Medical	1687	06:18
Fire	69	06:56
Traffic	104	06:02
Other	320	07:29
Total	2180	06:29

The chart below shows the Twentynine Palms Fire's incident volume outside of its boundaries. For the five year span, 6.2% of Twentynine Palms Fire's calls were to areas outside of its boundaries. Specifically, in 2011 Twentynine Palms Fire was requested 37 times to respond east of its jurisdiction (Wonder Valley) with the majority of the responses being for traffic collisions and structure fires.

29 Palms Fire Department Incident Response out of District (5 Year History)

OODE - Wonder Valley, Amboy and areas east of 29 Palms
OOD29 - County pocket in 29 Palms
OODW - Yucca Valley, Joshua Tree, Copper Mountain Mesa, Landers, and Morongo Valley
OOMB - Areas outside the Morongo Basin
JTNP - Joshua Tree National Park
MCT - 29 Palms Marine Corps Base

January 1, 2007 to December 31, 2007

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	10	3	5	0	6	0	24
Fire	8	2	4	4	0	0	18
Traffic	17	2	2	0	1	0	22
Other	4	3	8	1	0	0	16
*D/CER	89	0	21	10	4	2	126
Total	128	10	40	15	11	2	206

*Dispatched and Cancelled Enroute

January 1, 2008 to December 31, 2008

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	1	4	7	0	10	0	22
Fire	5	1	4	0	1	0	11
Traffic	7	1	1	0	4	0	13
Other	3	0	6	0	1	0	10
*D/CER	41	0	17	5	2	1	66
Total	57	6	35	5	18	1	122

*Dispatched and Cancelled Enroute

January 1, 2009 to December 31, 2009

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	1	3	4	0	6	0	14
Fire	2	0	6	0	1	0	9
Traffic	6	0	4	0	2	0	12
Other	2	2	5	0	2	0	11
*D/CER	44	1	39	1	2	1	88
Total	55	6	58	1	13	1	134

*Dispatched and Cancelled Enroute

January 1, 2010 to December 31, 2010

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	0	1	6	0	12	0	19
Fire	0	0	3	0	1	0	4
Traffic	8	2	2	0	2	0	14
Other	0	1	2	0	3	1	7
*D/CER	25	2	37	4	2	1	71
Total	33	6	50	4	20	2	115

*Dispatched and Cancelled Enroute

January 1, 2011 to December 31, 2011

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	0	1	4	1	17	1	24
Fire	10	0	6	0	1	0	17
Traffic	5	2	2	0	3	0	12
Other	2	1	4	1	1	0	9
*D/CER	20	2	43	3	4	1	73
Total	37	6	59	5	26	2	135

*Dispatched and Cancelled Enroute

Capital Improvement Budget

The department maintains an Apparatus Reserve Fund for equipment replacement and the fund currently has $245,000. The replacement of Engine 421 is currently planned for FY 2014-2015. The District in its FY 2011-12 Fire Budget identifies the following projects through FY 2015-16. Of note, the expansion and rehabilitation of the downtown station totaling roughly $1 million is an unfunded project to date.

FY 2011-12 Fire Capital Budget

	PROJECT:	Fiscal 2011-12 Budget	Estimated Fiscal 2012-13	Estimated Fiscal 2013-14	Estimated Fiscal 2014-15	Estimated Fiscal 2015-16
a.	Asbestos Removal, Old Downtown Station (Unfunded)	0	0	0	0	0
b.	Replacement Command Pickup	0	0	0	0	45,000
c.	Replacement of Engine 421	0	0	0	500,000	0
d.	Firefighting and Rescue Equipment	0	0	0	25,000	0
e.	Turnout Gear Replacement	6,000	6,000	15,000	15,000	15,000
f.	Rescue Equipment, Grant Funded	22,000	0	12,000	12,000	12,000
g.	Replacement Radios, Grant Funded	100,000	0	0	0	0
	Total Expenditures	128,000	6,000	27,000	552,000	72,000
	UNFUNDED PROJECTS:					
	Expansion and Rehabilitation of Downtown Station		$975,000			
	Asbestos Removal, Old Downtown Station		10,000			
	Total Unfunded Projects		$985,000			

3. Parcel tax charge by County Fire Zone FP-4

Parcel 0592-021-19 was historically charged the County Fire FP-4 special tax and CSA 70 Zone M service charges for park and roads, even though it is in the Twentynine Palms Water District (which does fire) and the City (which does parks and roads). This area was annexed to the Water District and the City through LAFCO 2805, and that action removed the area from the County Service Area 70 Zone M (predecessor agency for Wonder Valley fire). The action was memorialized through a State Board of Equalization (BOE) "Statement of Boundary Change". This statement was forwarded by the BOE to the County Assessor for implementation. The tax rate area code (19016) indicates that the parcel is in the City and not within CSA 70, County Fire, or any of their zones. As a part of this service review process, County Fire and the District were informed of this issue.

The County Special Districts Department has notified LAFCO staff that the circumstance has been corrected, the sole parcel has been removed from the CSA 70 Zone M and County Fire Zone FP-4 listings, and that a refund will be issued to the property owner of the tax payments in error. Additionally, Special Districts

Department indicates that the assessment listings for CSA 70 M and Fire Protection Zone FP-4 will be audited this year to verify their accuracy.

4. County Fire Reorganization and County Service Area 70 Tax Share

As a condition of approval for the reorganization of the county board-governed fire agencies, the ad valorem property tax revenues associated with CSA 70 Zone M were transferred to the South Desert Service Zone and the special tax was transferred to the newly formed Service Zone FP-4. However, during the processing of this service review it was discovered that at least a portion of the ad valorem property taxes associated with Zone M were from the detachment of the territory from the Twentynine Palms Park and Recreation District and were provided to Zone M for park purposes. At this time, LAFCO staff is unclear as to when these revenues were converted for fire purposes and by what action of the Board of Supervisors as the governing body.

5. Disadvantaged, Unincorporated Communities

The disadvantaged, unincorporated communities within or contiguous to the District's sphere are within the boundaries of County Fire and its South Desert Service Zone. The Wonder Valley community is also within Zone FP-4 of County Fire whereby residents pay a special tax for service.

C. Sewer

There is no community sewage system and waste water is disposed through individual septic tanks and tile field disposal systems[35]. The District is authorized by LAFCO a Sewer function, although it is service is currently limited to planning.

In 2007, the District and the City met in a joint session to discuss the need for oversight of packaged treatment plants, since such oversight is mandated by the Regional Water Quality Control Board. Through a joint resolution, the City was designated as the lead agency in the oversight of packaged treatment plants within the City limits, and the District will be provided the opportunity to make recommendations on the standards to be established by the City.

A joint committee (two members each from the City and the Twentynine Palms Water District) has been formed to assess the development of a wastewater management plan and solid nutrient plan.

Disadvantaged, Unincorporated Communities

The disadvantaged, unincorporated communities within or contiguous to the District's sphere are also currently on septic systems and leach fields. The Regional Water

[35] Subsurface drainage removes excess water from the soil profile, usually through a network of perforated tubes installed 2 to 4 feet below the soil surface. These tubes are commonly called "tiles" because they were originally made from short lengths of clay pipes known as tiles. Water would seep into the small spaces between the tiles and drains away.

Quality Control Board has expressed concern over the potential contamination of groundwater resources by nitrates from the improper installation and maintenance of septic systems in Twentynine Palms. There are no plans at this time for construction of a water treatment plant and collection system. Additionally, the City is taking the lead for conducting studies to explore the possibility for a wastewater treatment system. Any community contiguous to the City's sphere desiring connection to any potential system would require at a minimum inclusion within the City's sphere and most likely annexation. Further, any potential connection would most likely include installation and connection fees/charges/taxes. However, the implementation of a water system would be too costly. Population densities are so low that there are not enough customers to financially support the construction of a water system.

IV. Financial ability of agencies to provide services.

For this section of the report, staff has reviewed the District's budgets, audits, State Controller reports for cities, and County filing records.

A. General Operations and Accounting

The governmental activities of the District include only fire protection. The business-type activities of the District include only Water operations.

Component Unit

The reporting entity "Twentynine Palms District" includes the activities of the District and the Twentynine Palms Water District Financing Corporation ("Corporation"). The District and the Corporation have a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standard Board ("GASB") Statement No. 14, "The Financial Reporting Entity", for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District. The Corporation is governed by a five-member board appointed by the District board. Although it is legally separated from the District, the Corporation is reported as a blended component unit of the primary government because its sole purpose is to provide financing assistance to the District for construction and acquisition of major capital facilities.

B. Cash and Investments

The chart below shows cash and investments for the past three fiscal years. The District has identified that it experienced a 28% decrease in Temporary Investments at the end of FY 2009-10 due to the completion of a significant number of capital projects and capital purchases during that year. The expenditures included the completion of a reservoir, a production well, a transmission pipeline, as well as other equipment and infrastructure projects. These items were included in the District's capital budget for that year or were carried over from prior year's capital budgets.

Cash and Investments

	2008-09	2009-10	2010-11
Statement of Net Assets			
Cash	$114,203	$132,000	$138,729
Temporary Investments	6,921,798	5,017,151	4,474,529
Restricted *			
Cash	356,750	357,285	357,776
Temporary Investments	300,000	550,000	550,000
Total Cash & Investments	**7,692,751**	**6,056,536**	**5,521,034**

* Restricted cash and temporary investments are temporarily restricted as to withdrawal or use for other than current operations. The District has temporarily restricted these deposits and investments for the acquisition or construction of non-current assets and the liquidation of long-term debt.

C. Water Fund (Business-Type Activity)

Long-Term Debt

At the end of the current fiscal year, the Twentynine Palms Water District had total bonded debt outstanding of $2,108,231, including the portion that is due within one year. All of the District's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) of the Water Fund. All outstanding debt was incurred for the benefit of the Water Fund and accordingly is the sole responsibility of the Water Fund.

2002 Refunding Certificates of Participation

On October 9, 2002, the District issued $2,386,090 in 2002 refunding certificates of participation with an interest rate of 4.27% due through 2012. The purpose of the issuance was to advance refund $2,810,000 of outstanding 1992 certificates of participation with interest rates ranging from 5.00% to 7.10%. Net revenues of the District are pledged to retirement of the certificates of participation. The certificates were paid off based on the prepayment price plus accrued interest and the refunded certificates are no longer outstanding.

State of California, Department of Water Resources Loan

The District contracted with the State of California, Department of Water Resources, for a loan under the Water Conservation and Water Quality Bond Law. Proceeds from the loan were used for the Phase I District Pipeline Replacement. As of June 30, 2011, the District had received $4,872,379 of $5,000,000 approved under the loan agreement. Interest is payable semiannually at 3.4375% per annum from the date loan drawdowns are received from the State, over a loan amortization period of 20 years. The District has agreed to provide for the accumulation of necessary reserves in accordance with Section 12 of the Contract to assure that funds will be available to make the semiannual payments when due.

Net Assets

Most of the District's net assets are invested in water capital assets. The Water Fund's net assets have steadily increased for the past five years, by 8%. As of June 30, 2011, the Water Fund had $30.1 million in net assets. Of this amount $4.5 million is unrestricted.

Net Assets – Business-Type Activities (Water)

	2006-07	2007-08	2008-09	2009-10	2010-11
Net Assets – Business Activities					
Invested in capital assets – net of related debt	$21,258,368	$21,609,970	$22,270,807	$29,752,139	$25,270,287
Restricted for: Debt Service	159,815	330,961	57,695	357,285	357,776
Restricted for: Construction	267,262	0	215,082	208,466	0
Unrestricted	6,296,464	6,588,637	6,507,097	4,462,262	4,497,865
Net Assets	**27,981,909**	**28,529,568**	**29,050,681**	**29,752,139**	**30,125,928**

Revenues and Expenditures

The District's largest revenue types are typically Water Sales and Ready-to-Serve charges, which together represent 80 percent of the Water Fund's total revenue for the year. Water Sales are based on the amount of water delivered to the customer while the Ready-to-Serve rates are the meter charge based on meter size. Water rates increased in July 2010 and again in July 2011. At this time, LAFCO staff is unaware of any proposed rate increase for July 2012.

The Water Fund receives water availability assessments (Water Standby) of $30 for each parcel that is one acre or less, whether serviced or unserviced. These amounts are increased by amounts ranging from $7.50 (for each acre > five-acres) to $8.00 (for each acre from 1 to 5 acres). The maximum that can be assessed per parcel is $1,200. This assessment helps pay the capital costs incurred by the District to make water available (for any purpose) throughout the District, whether the water is actually used or not. This assessment is levied on all parcels within the District boundaries excepting lands receiving "fire only" service or those owned by the Bureau of Land Management.

For FY 2010-11, water sales were $2,544,757 for the year and represent 55 percent of total revenue. Other revenue sources included Ready-to-Serve Charges of $1,151,870; Water Availability Assessments – $602,246; Investment Interest and Penalties - $103,160; Capital Impact Fees - $38,752; and Property Leases - $104,427. Salaries and benefits saw increases primarily from higher retirement and medical benefits. The increase in depreciation was the result of significant capital assets being placed in service during the year while the use of additional bulk chemicals during the year was the primary reason for the increase in Supplies Expense. That increase in volume was the result of the District treating a higher volume of water in FY 2010-11 compared to the prior year. Salaries and

Benefits represent 34 percent of total expenses while Depreciation accounts for 30 percent of expenses.

The figure below is taken from the FY 2011-12 Water Budget and identifies the actual and estimated revenues and expenditures for four fiscal years.

	Fiscal 2010-11 Projected	Fiscal 2011-12 Budget	Fiscal 2012-13 Estimated	Fiscal 2013-14 Estimated
REVENUES:				
Water Sales and Ready to Serve Charges	$3,643,000	$3,826,000	$3,826,000	$4,055,000
Other Operating Revenues	221,000	212,200	212,200	212,200
Water Availability Assessment	601,000	601,000	601,000	601,000
Interest Revenues	20,000	20,000	20,000	20,000
Other Non-Operating Revenues	178,000	129,600	129,600	129,600
Grant Funds	0	0	0	0
TOTAL REVENUES	$4,663,000	$4,788,800	$4,788,800	$5,017,800
OPERATING EXPENDITURES				
Salaries and Benefits	$1,474,130	$1,678,657	$1,805,887	$1,915,866
Materials and Supplies	614,500	668,500	695,240	723,050
Outside Services	354,500	401,500	413,545	455,951
Equipment Costs	135,000	130,000	130,000	130,000
Telephone and Utilities	398,800	421,000	442,050	464,153
Insurance and Workers' Compensation Ins.	64,000	87,620	92,001	96,601
Permits and Fees	31,000	33,000	33,825	34,671
Uncollectable Accounts	50,000	50,000	50,000	50,000
Training, Seminars, Certifications, Travel, Dues & Subscriptions	44,500	50,000	51,000	52,020
Fire Department Reimbursements	(40,554)	(41,823)	(43,078)	(44,370)
TOTAL OPERATING EXPENDITURES	$3,125,876	$3,478,454	$3,670,471	$3,877,941
NON-OPERATING EXPENDITURES AND TRANSFERS				
Debt Service	$632,477	$632,477	$485,811	$339,145
Capital Improvements	220,000	500,000	1,080,000	800,000
Replacement & Rehabilitation Expenditures	510,000	485,000	155,000	175,000
Transfer To (From) Debt Reserve-Internal	0	0	0	0
Proceeds From Debt Offering	0	0	0	0
Debt Retirement	0	0	0	0
TOTAL NON-OPERATING EXPENDITURES & TRANSFERS	$1,362,477	$1,617,477	$1,720,811	$1,314,145
TOTAL EXPENDITURES & TRANSFERS	$4,488,353	$5,095,931	$5,391,282	$5,192,086
INCREASE (DECREASE) IN FUND BALANCE	$174,647	($307,131)	($602,482)	($174,286)

D. Fire Fund (Governmental Activity)

Long-Term Debt

There is no debt for the fire activities of the District.

Net Assets

The Fire Fund's net assets have steadily increased for the past five years, by 11%. As of June 30, 2011, the Fire Fund had $2.7 million in net assets. Of this amount $1.6 million is unrestricted.

Net Assets – Governmental Activities (Fire)

	2006-07	2007-08	2008-09	2009-10	2010-11
Net Assets – Governmental Activities					
Invested in capital assets – net of related debt	$1,173,754	$1,093,406	$1,071,449	$960,193	$1,106,690
Restricted for: Debt Service	0	0	0	0	0
Unrestricted	1,274,192	1,402,378	1,407,089	1,680,684	1,603,347
Net Assets	**2,447,946**	**2,495,784**	**2,478,538**	**2,640,877**	**2,710,037**

	2006-07	2007-08	2008-09	2009-10	2010-11	4-yr Var.
ASSETS						
Temp. Investments	$ 1,274,038	$1,299,731	$ 1,261,515	$1,253,791	$ 1,193,207	-6%
Accounts Receivable	93,572	144,192	188,499	465,302	509,977	445%
Other	43,904	29,554	33,561	17,897	24,497	-44%
Total Assets	1,411,514	1,473,477	1,483,575	1,736,990	1,727,681	
LIABILITIES						
Deferred Revenue	-	-	158,585	424,472	477,632	
Other	137,322	71,099	43,029	22,704	75,014	-45%
Total Liabilities	137,322	71,099	201,614	447,176	552,646	302%
FUND BALANCE						
Unassigned (Unreserved)	1,274,192	1,402,378	1,281,961	1,289,814	930,035	-27%
Apparatus Reserve					245,000	
Total Fund Balances	$ 1,274,192	$1,402,378	$ 1,281,961	$1,289,814	$ 1,175,035	-8%
REVENUES						
Fire Special Tax	$ 1,219,777	$1,233,297	$ 1,183,804	$1,216,897	$ 1,196,705	-2%
Other	121,848	90,840	138,627	58,008	49,110	-60%
Total Reveues	1,341,625	1,324,137	1,322,431	1,274,905	1,245,815	-7%
EXPENDITURES						
Staff Payroll & Benefits	604,812	658,878	748,093	750,157	806,418	33%
Volunteer Payroll & Ben.	112,802	107,866	123,934	122,254	154,047	37%
Communications	98,100	104,210	116,003	87,580	102,913	5%
Capital Outlay	86,623	75,386	143,790	38,683	31,907	-63%
Other	242,863	249,611	236,008	268,378	265,309	9%
Total Expenditures	1,145,200	1,195,951	1,367,828	1,267,052	1,360,594	19%
Revenue less Expenditure	$ 196,425	$ 128,186	$ (45,397)	$ 7,853	$ (114,779)	
Fund Balances, Beginning	1,077,767	1,274,192	1,327,358	1,281,961	1,289,814	20%
Fund Balances, Ending	$ 1,274,192	$1,402,378	$ 1,281,961	$1,289,814	$ 1,175,035	-8%

Moving beyond the FY 2010-11 audit year, the figure below was provided by the District identifying budget projections through FY 2013-14 following the defeat of its special tax election on April 25, 2012. For FY 2011-12 and FY 2012-13, the estimated deficit of expenditures over revenues is $168,134 and $244,202, respectively. According to the Twentynine Palms Fire Chief, the reduction in Contingency and Apparatus Reserves in FY 2012-2013 is for the transfer of those funds to Unrestricted Fund Balance to provide enough working capital to begin FY 2013-2014. This is how the District would achieve two more years of providing the current service level before the Fire Fund becomes insolvent. This continuing decrease in fund balance prompted the District to put forth a measure on the special mail election this April (Measure H) to increase the District's special fire tax

from $80 to $120 per unit and allow for a $6 annual tax increase for ten years following 2013. The FY 2013-14 estimate previously provided to LAFCO staff includes a revenue, of roughly $536,000. Passage of the measure required 2/3 approval of votes cast, however the measure only received 48% "Yes" votes.

FY 2012-13 Fire Budget

	Fiscal 2010-11 Actual	Fiscal 2011-12 Projected	Fiscal 2012-13 Proposed Budget	Fiscal 2013-14 Estimated
REVENUES				
Operating Revenues	$ 1,199,080	$ 1,217,000	**$ 1,201,000**	$ 1,206,000
Donations and CPR Training Revenues	4,790	2,500	**7,000**	7,000
Grant Revenue	0	114,298	**0**	0
Non-Operating Revenues	41,944	45,000	**33,000**	31,000
Total Revenues	**$ 1,245,814**	**$ 1,378,798**	**$ 1,241,000**	**$ 1,244,000**
EXPENDITURES				
Salaries & Benefits, Paid Staff	$ 780,256	$ 855,400	**$ 901,527**	$ 953,200
Volunteer Operations	132,444	130,600	**133,000**	133,000
Materials and Supplies	29,967	23,900	**30,200**	30,804
Govenmental Charges, SBCO	1,800	26,800	**16,800**	2,136
Utilities	30,833	26,800	**29,700**	30,591
Dispatching Fees	100,708	101,024	**92,000**	96,600
Repair and Maintenance	99,682	86,800	**104,500**	111,590
Insurance, Bonds and Workers Compensation	62,031	62,400	**64,000**	65,920
Overhead Allocation	40,554	41,708	**45,375**	46,963
Training, Travel & Conferences	11,610	11,000	**14,600**	14,892
Dues, Subscriptions, Books & Films	2,195	2,500	**2,500**	2,550
Legal Services and Professional Services	30,840	50,000	**40,000**	30,000
Total Expenses Before Capital Expend.	**$ 1,322,920**	**$ 1,418,932**	**$ 1,474,202**	**$ 1,518,246**
NON-OPERATING EXPENDITURES				
Capital Expenditures		128,000	**6,000**	6,000
Expenditures From Donated Funds - General		0	**5,000**	5,000
Total Expenditures		**$ 1,546,932**	**$ 1,485,202**	**$ 1,529,246**
Total Revenue Less Total Expenditures		**$ (168,134)**	**$ (244,202)**	**$ (285,246)**
Addition (Reduction) To Contingency Reserve		0	**(56,713)**	0
Addition (Reduction) To Apparatus Reserve		0	**(245,000)**	0
Change in Working Capital Balance		**$ (168,134)**	**$ 57,511**	**$ (285,246)**
Beginning Working Capital Balance		**$ 846,298**	**$ 678,164**	**$ 735,675**
Ending Working Capital Balance		**$ 678,164**	**$ 735,675**	**$ 450,429**
Working Capital Required at Start of Year to Meet Cash Flow Needs, Based on $1,518,246 Budget				**$ 632,603**

At this rate, with all things remaining constant, the Fire Fund is projected to exhaust its fund balance by the end of FY 2014-15. Unfortunately, the County's first distribution of taxes occurs in November/December. Therefore, the beginning fund balance would need to have enough funds to operate for five months, or roughly $600,000. Without a proper beginning fund balance, funds would be exhausted a few months into FY 2013-14. The figure below compares Revenues, Expenditures, and Fund Balance from FY 2006-07 through FY 2013-14. As shown, Expenditures are estimated to increase by 34% while Revenues are estimated to decline by 7%. The estimated result will be decrease in fund balance by 65% within seven years, thereby resulting in service delivery and sustainability challenges.

Seven Year Variance

	2006-07	2013-14	7-yr Var.
Revenues	$ 1,341,625	$ 1,244,000	-7%
Expenditures	1,145,200	1,529,246	34%
Rev less Exp	196,425	(285,246)	
Fund Balance End	$ 1,274,192	$ 450,429	-65%

Appropriation Limit (Gann Limit)

Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative)[36], the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIIIB allows the District to designate a portion of fund balance of general contingencies to be used in future years without limitation.

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. A review of the financial statements for the past five fiscal years does include a review of the annual calculation of the appropriations limit.

Government Code Section 7910[37] expands upon the Gann Initiative and requires each local government to annually establish its appropriation limits by resolution. For FY 2011-12, the District adopted an appropriation limit of $1,621,187 related to its special tax only.

D. Post-Employment Benefits

[36] 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).
[37] Added by Stats.1980, c. 1205, p. 4059, § 2. Amended by Stats.1988, c. 1203, § 1; Stats.2007, c. 263 (A.B.310), § 25.

Pension

The Twentynine Palms Water District contributes to the California Public Employees Retirement System (PERS).[38] PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. The contract offers a "3% at 60" for Miscellaneous Plan Members and "3% at 55" for Safety Plan Members. The most recent financial statements for the District identify that it has contributed 100% of its annual pension cost for at least the past three years.

Other Post-Employment Benefits

The District's defined benefit post-employment healthcare plan, (Twentynine Palms Water District Post-Retirement Medical Benefits Program, "TPPRMBP"), provides medical benefits to eligible District employees and spouses. TPPRMBP is a single employer defined benefit healthcare plan administered by the District. A menu of benefit provisions are established through the District's group health insurance plan, which covers both the active and retired members.

The contribution requirements of plan members and the District are established and may be amended by the Board. The District contributes 90% of the employee's and 75% of the spouse's medical insurance premiums until age 65. The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. ARC current rate is 5.7% of the annual covered payroll. The plan is financed on a pay-as-you-go basis.

At June 30, 2010, the Net OPEB Obligation was $68,818. For FY 2010-11, the OPEB cost (expense) was $81,187 ($79,469 plus interest on the Net OPEB Obligation) for the year the District contributed 15%, or $12,194. At June 30, 2011, the Net OPEB Obligation increased to $137,811, as shown below:

Annual Required Contribution	$	79,469
Interest on net OPEB Obligation		5,333
Adjustment to Annual Required Contribution		(3,615)
Annual OPEB Cost (Expense)		81,187
Contributions Made		(12,194)
Increase in Net OPEB Obligation		68,993
Net OPEB Obligation - Beginning of the Year		68,818
Net OPEB Obligation - End of the Year	$	137,811

[38] PERS 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.

E. Filing Requirements

Government Code Section 26909 requires districts to file a copy of its annual audit with the county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, the last audit received was in October 2011 for FY 2010-11.

V. Status of, and opportunities for, shared facilities.

There are no shared or duplication of facilities.

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

The District is an independent special district governed by a five-member board of directors elected at-large. Membership elections are held in odd years as a part of the general district mail ballot election. Five board members are elected at large to four-year overlapping terms. For the August 2009 general election, there were 5,884 registered voters within the District with a 28% voter turnout for that election. Two seats were up for election in 2011. However, since the number of candidates who filed a declaration of candidacy did not exceed the number of seats a scheduled election was not held in 2011. Therefore, the two seats were appointed in-lieu of election. Below is the composition of the current council, their positions, and terms of office:

Board Member	Title	Term	Appointed/Elected
Philip C. Cisneros	President	2013	Elected
Kerron E. Moore, Jr.	Vice-President	2015	Appointed
Chancey Chambers	Director	2013	Elected
Nicholas Bourikas	Director	2015	Appointed
Roger Shinaver	Director	2013	Elected

Regular Board of Directors Meetings are held on the fourth Wednesday of each month at 6 p.m., in the District's administration building located at 72401 Hatch Road in Twentynine Palms. Board meetings are also televised on cable channel 10 at 10 a.m. on the first Saturday and 5 p.m. on the first Sunday of the next month following the meeting.

Operational Efficiencies

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

- A joint committee (two members each from the City and the Water District) has been formed to assess the development of a wastewater management plan and solid nutrient plan.

- The City purchased a fire ladder truck during FY 2010-11 from the Fire Development Impact Fees Capital Projects Fund. The Water District operates and maintains the truck and is contracted to repay the purchase cost to the City.

- The District is a participant in the Association of California Water Agencies Joint Powers Insurance Authority ("JPIA"), which was organized for the purpose of providing liability insurance for the member agencies. The JPIA is a risk-pooling self-insurance authority.

- The District is a participant of the Worker's Compensation Program of the Special District's Risk Management Authority (the "Authority"). The Authority was created for the purpose of providing workers' compensation insurance to its member agencies.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out of Agency Service Agreements

There are no out-of-agency service agreements approved by LAFCO authorizing the District to provide service outside of its boundaries. The District has identified that it does have a small amount of bulk water hauling activity within the community. The District maintains one site where private individuals and a small number of commercial water haulers purchase water that is used both inside and outside District boundaries. Generally, this water is consumed by households where infrastructure is not available. Further, through state-mandated mutual aid agreements, the fire department responds to calls outside of its boundaries.

Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review [39]. 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.

[39] State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

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

Fire

The information presented in the Financial section of this report for the District concludes that the District's Fire operations are unsustainable as presently configured. Therefore, a change in governance for its Fire service will need to be considered. Given this, options regarding District expansion cannot be considered (such as expanding into Wonder Valley). Any scenario concerning the transfer of the District's fire function needs to consider service within the City and to the unincorporated portion of the District.

1. City as the agency responsible for fire protection. Removal of the District's fire function would require the City to become responsible for fire protection within its boundaries as mandated by state law. [40] The City would then succeed to the Water District's special fire tax and fire assets and liabilities within the city as well as any fire assets purchased with City funds. Being the agency responsible for this service, the City would have two options:

    a. The City could provide the service directly, or

    b. The City could contract with another agency (San Bernardino County Fire Protection District or CalFire) for the provision of the service. In this scenario, the City remains as the agency responsible but contracts for the service level that it can afford.

    As for the unincorporated portion, the remainder of the Water District's fire service area would be unsustainable as a stand-alone agency since the majority of the property tax that supports the fire function is derived from within the City. Therefore, it would have to annex to the San Bernardino County Fire Protection District ("County Fire") and its South Desert Service Zone as there would be no other agency able to continue service. County Fire would then succeed to the Water District's assets and special fire tax and fire assets and liabilities within the unincorporated area. Additionally, County Fire would need to form a zone to isolate the special tax revenues which would require an annual budget and audit.

2. County Fire as sole agency responsible. Should the City desire not to be responsible for fire protection within its boundaries, the territory of the Water District could annex to County Fire. This would require the expansion of the County Fire sphere of influence, the City's consent to the annexation of the City by County Fire,

[40] Government Code Section 38611.

which would remove the City's service responsibility.[41] In that case, County Fire would succeed to all of the Water District's assets and liabilities and special tax. Additionally, County Fire would need to form a zone utilizing the Water District's boundaries to isolate the special tax revenues generated which would require an annual budget and audit.

Water

3. Twentynine Palms Water District becoming a subsidiary district of the City. In order for the Water District to become a subsidiary district of the City, at least 70% of registered voters in the District must reside in the City **and** at least 70% of the District's territory must be within the boundaries of the City.

    a. For the August 2009 election (the most recent election for the District) the District contained 5,884 registered voters and approximately 5,332 voters of the District were within the City.[42] At 91%, the District meets the threshold for territory within the boundaries of the City.

    b. The District encompasses 56,919 acres (88.9 square miles) and 35,144 acres (54.9 square miles) of the District is within the boundaries of the City. The District does not meet the territory threshold because only 61.7% of the District's territory is within the boundaries of the City.

[41] Government Code Section 38611.
[42] County of San Bernardino Registrar of Voters, Statement of Votes Cast, General District Election, August 2009.

3199



Annexation Proposal for the Community of Twentynine Palms

RECEIVED
SEP 21 2015
LAFCO
San Bernardino County

Plan for Service

September 18th, 2015

Background:

History-

The Twentynine Palms Fire Department was formed on August 7th, 1958, by the County Water Board, under the auspice of providing fire protection services to the community of Twentynine Palms. The California Department of Forestry had relocated their operations to their new facility in the area of Yucca Valley and left a service delivery gap in the community of Twenty Nine Palms.

Over time the Twentynine Palms Fire Department evolved into a two station fully staffed BLS (Basic Life Support) service delivery model, providing fire, rescue and EMS functions to the citizens of the City of Twentynine Palms and surrounding communities.

Through attrition and funding shortfalls the foundation for service has eroded and there are currently 5 full time personnel (including the Fire Chief), providing constant staffing in compliance with OSHA 29 CFR, Part 1910.134 (g)(3)&(4), California Code of Regulations: 8 CCR § 5144 (g) (3)(4) and N.F.P.A. 1500 (2007 edition) 2 in, 2 out standards, augmented by a small Paid Call Firefighter and volunteer force.

Recent Activities-

On June 8th, 2015, the Twentynine Palms Water District and the Twentynine Palms City Council voted on recommendations from the Twentynine Palms Fire Department Fire Chief Jim Thompson and City Manager Frank Luckino, to form a 4-person ADHOC committee with two representatives each from the City of Twentynine Palms and Twentynine Palms Water District Board.

From the Water District, Board Chair Kerron "Sam" Moore and Director Carol Giannini were selected and from the City, Mayor Pro-Tem Daniel Mintz Sr. and Councilmember John Cole.

The first ADHOC meeting was held at the Twentynine Palms Water District chambers, with all ADHOC committee members present, along with Twentynine

Palms City Manager Luckino, Twentynine Palms Fire Chief Thompson, San Bernardino County Fire District Division Chief Chamberlin and Twentynine Palms Water District Finance Manager Byerrum. The focus of this presentation was the past history and current situational update of the Twentynine Palms Fire Department. This also included a historical documentation of pre and post proposition 218 funding, along with both successful and unsuccessful tax measures with results.

The second ADHOC meeting was held at the Twentynine Palms City Council chambers on July 20th, 2015 (1000 hours) with all ADHOC members, along with Twentynine Palms City Manager Luckino, Twentynine Palms Fire Chief Thompson, San Bernardino County Fire District Division Chief Chamberlin and Twentynine Palms Water District Finance Manager Byerrum present. This meeting encompassed the San Bernardino County Fire District service delivery model and funding option.

At the conclusion of this meeting, Twentynine Palms Water District Board Chair Moore indicated that a special meeting would be called at the Twentynine Palms Water District for further consideration of a LAFCO application.

On August 5th, 2015, the Twentynine Palms Water District convened a special meeting for consideration of a LAFCO annexation application. The meeting heard presentations from both Twnetynine Palms Fire Chief Thompson and San Bernardino County Fire District Division Chief Chamberlin on history and service models.

At the end of the meeting, a motion was made and carried on a 4-1 Vote with Director Giannini dissenting to establish the initial application packet for consider by LAFCO with a target transitional date of July 1st, 2016 for service.

On August 19th, 2015 the Twentynine Palms City Council called a special meeting for consideration of a Resolution of support for a LAFCO application for annexation of the Twentynine Palms Fire Department into the San Bernardino County Fire District, with divestiture of the City of Twentynine Palms' interest in providing such services under the City's general plan.

Presentations were made by Twentynine Palms City Manager Luckino and San Bernardino County Fire District Division Chief Chamberlin and the vote carried forward in support of the resolution by a 4-1 vote with Councilmember Heiser dissenting.

On August 26th, 2015 the Twentynine Palms Water Board again convened and this time voted in favor of their Resolution in support of the LAFCO annexation of the Twentynine Palms Fire Department to the San Bernardino County Fire District and divesture of the their fire powers. (Appendix A – Twentynine Palms Water District Resolution No. 15-14)

On September 15th, 2015 the San Bernardino County Board of Supervisors, acting as the Board of the San Bernardino County Fire District, voted to adopt a Resolution in support of both the Twentynine Palms Water District and City of Twentynine Palms Resolutions, for consideration of a LAFCO application annexing the fire powers, assets, liabilities and service delivery effective July 1st, 2016, to the San Bernardino County Fire District. (Appendix B – Report/Recommendation to the Board of Directors of the San Bernardino County Fire Protection District Item # 79, Appendix C – Resolution by the Board of Directors of San Bernardino County Fire Protection District # 2016-182)

Financial Background:

The Twentynine Palms Water Fire Department is a subsidiary of the Twentynine Palms Water District. Upon incorporation in November of 1996, the local community leaders decided to have the "fire powers" remain under the control and interest of the Twentynine Palms Water District. This allowed a zero 0% allocation of the ad valorem tax apportionment for fire protection.

Attached is a historical documentation of tax measures that have been proposed, approved or denied within the boundaries of the Twentynine Palms Water District since 1985.

Beginning in 1985, there was an initial assessment of $33.85 per parcel or dwelling unit, that allowed for a Water Board approved inflationary measure and protest period. This was successful until the California voter approved Proposition 218 measure in 1996, which rolled back or negated all together special tax measures. The final termination amount for this measure in FY96/97 was $57.00.

In June 1997, the Water District voters approved by a 72% margin a new tax starting at $54.00. The measure was designed to be sustaining for 5 years, however, it carried the Twentynine Palms Fire Department for 8 years, until March 2005.

In March 2004, an attempt at a replacement tax with an inflationary measure was put on the ballot "Measure A". This measure began its rate at $80.00 and had a built in 2% annual inflationary adjuster. The vote was unsuccessful garnering on 54%.

In March 2005, a replacement tax, "Measure J", was approved by the voters at a flat rate of $80. This measure contained no inflationary assessment and has since become a direct source of fiscal erosion within the Twentynine Palms Fire Department. This measure was approved by the voters at just of 70% of the vote and has remained unchanged or adjusted in any way for the past 11 years.

In April 2012, an attempt to enhance funding called "Measure H" was defeated by the voters, only garnering 48% of the vote. This measure called for a starting rate of $120 and an annual inflationary fixed amount of $6 per year, for an additional ten years.

The Twentynine Palms Water District is not able to enhance the Fire Department's funding nor act as a revenue stream as they are required by law to only bill for goods and services directly related to their service delivery and mission. (Appendix D – FIRE TAX HISTORY and ASSUMPTIONS, Appendix E – Twentynine Palms Water District Board of Directors Ordinance #89)

Previous LAFCO Service Review

The Twentynine Palms Water District and Fire Department underwent a LAFCO services review study, Resolution #3162 in June 2012. The study found that the funding mechanisms in place could not sustain operations and further annexation of the area by the Twentynine Palms Fire Department would not be approved due to these factors. (Appendix F – LAFCO Service Review Resolution #3162)

The Resolution further recommended transfer of Fire Powers to the City of Twentynine Palms as the service provider as outlined in Government Code Section 38611. If the City of Twentynine Palms opted to take on Fire Powers, it would have to continue service delivery to the unincorporated areas of the County, in which the Twentynine Palms Water District currently provides fire services.

The City of Twentynine Palms would then have to determine it's own best service delivery modeling by either:

A) Providing it's fire service delivery model or;
B) It could contract with another agency such as the County of San Bernardino or CalFire as examples.

In either example, the City of Twentynine Palms would remain responsible for the service delivery model.

Resolution #3162 also afforded an additional option to the agencies involved in that there could be a potential for annexation into the County of San Bernardino. This would transfer all Twentynine Palms Fire Department assets into the district and charge the San Bernardino County Fire District with the responsibility for service delivery both within the City of Twentynine Palms and the unincorporated areas of the County (current Water District boundaries).

The annexation model would need to create a new zone overlaying the existing Water District boundaries, for establishment of the funding revenue source via within the newly formed zone.

Identified assets and liabilities

The Twentynine Palms Fire Department currently has possession of two separate fire station structures:

Fire Station #421:

6560 Adobe Rd, Twentynine Palms CA 92277

APN# 0617-115-26

Structure size: 7,043 square feet

Lot size approximately .75 acres

Fire Station #422:

3834 Lear Ave, Twentynine Palms CA 92277

APN# 0610-041-02

Structure Size: 6,500 square feet

Lot Size approximately 6.78 acres (Appendix G – Physical Location of Twentynine Palms Fire Department Stations – APN #)

Vehicle Inventory

(Appendix H - Fleet)

Stock #	Unit #	Type	Year	Make	Miles
1020	R422	Light & Air	1986	Ford/E-One	91011
1022	E421A	Engine	1993	E-One/Protector	152091
1027	E422	Engine	2000	International/Pierce	105703
1028	UT421A	Utility	2001	Ford F150	175711
1029	BP421	Brush Patrol	2002	Ford F550 4x4/Pierce	84107
1030	CH5000	Utility	2003	Ford F150 4x4	128970
1032	E421	Engine	2007	Pierce/Enforcer	120446
1033	UT421	Utility	2008	Ford F150 4x4	70725
1034	T421	Truck	1997	Pierce/Dash 75' Aerial	117082

There are no identified liens or holdings outside of the Twentynine Palms Water District on and of the identified Fire Station or apparatus.

Fire Station #422 is currently under a cooperative agreement for approximately $2,700.00 per annum with Copper Mountain College for a facilities use agreement, terminable as necessary.

There are no currently identifiable Assistance to Firefighter Grant (AFG), Department of Homeland Security (DHS) or State of California Officer of Emergency Services (OES) based apparatus, personnel or equipment that requires ongoing tracking.

The Twentynine Palms Firefighters are working under a current MOU for salary and benefits until May 2016. A temporary successor MOU or side letter agreement will need to be addressed.

The single highest and only identified liability that is in need of solution is the unfunded pension liability due to CALPERS. There is a previous calculation from CALPERS of approximately $1,900,000.00. We have requested an actuarial study from CALPERS and anticipate the final numbers for completion into the required fiscal documentation in November 2015.

Plan for Service Delivery

The San Bernardino County Fire District has indicated that their standard model of delivery is a 3 person ALS (Advanced Life Support) Paramedic Engine or Truck Company for a single resource fire station.

The delivery model would include at least one daily Paramedic based on the mandatory statutes set forth by ICEMA (Inland County Emergency Medical Agency), which functions as the governing body for the oversight of medical care within San Bernardino County.

A large component of the annexation is the incorporation of the regionalized service delivery modeling. Each apparatus will be outfitted with GPS/AVL (Global Positioning System/Automatic Vehicle Location) technology to assist in location services and through our CAD (Computer Aided Dispatch), MDC (Mobile Data Computer) providing updated instant mapping capability and via the location services the deployment of the closest possible resource to meet the demand for any incident at any time.

By integrating resources from across the Morongo Basin, the best available and most efficient model for service delivery is achieved.

During the initial phase of the annexation, operations will begin with a $1,000,000 operating budget earmarked from the Twentynine Palms Fire Department reserve funding.

This revenue has been outlined in the initial outlay for service delivery from July 1st 2016 to approximately December 1st, 2016, in which the first tax roles from the newly created FP-5 Twentynine Palms will start to fund.

As part of the approved application, the proper documentation will be filed with the San Bernardino County Tax Assessor's office requesting dissolution of the existing Twentynine Palms Water District Special Tax for Fire Protection. It will then be replaced by the San Bernardino County Fire District FP-5, with a subset of

Twentynine Palms as the new overlay. This collection of these funds will not commence until the November 2016 property tax collection cycle and will become available to the San Bernardino County Fire District starting in December 2016.

The new FP-5 Twentynine Palms Zone would incorporate an entire overlay of the existing Twentynine Palms Water District. A review of the Twentynine Palms Water District overlay resulted in the following findings:

Encompassed within the Twentynine Palms Water District is 16,495 parcels. Of these parcels 1,232 are government owned and are not required to pay the tax. This leaves the total parcel count at 15,263 parcels based on the current overlay of the district.

Based on the approved current tax of $143.92 x's 15,263 parcels, the anticipated revenue $2,196,650.96 for FY16/17. (Appendix I – 5 year projected budget documentation)

This spending plan is designed to allow for a rapid escalation of Capital Replacement funding. The Capital Replacement funding includes replacement of all functional materials directly related to service delivery within an ALS fire based service delivery model.

Also identified is equipment replacement for the Type 1 fire engine and 1/30th of a new Aerial Platform for truck company operations to serve the basin. This will be factored directly between Twentynine Palms and Yucca Valley for service delivery.

This staffing model requires $1,589,103 based on salary and benefits starting in 16/17 and with a 2% inflationary measure per year, ending the five-year forecast (FY20/21) at $1,823,532.24.

Services and Supplies budget for FY16/17 requires $844,495. This includes a one-time purchase of SCBA (Self Contained Breathing Apparatus) for replacement of equipment in conjunction with a full County-Wide replacement to insure continuity for crew safety.

Total operating expenses for FY 16/17 is $2,307,134.49. This amount does not include any unfunded retirement obligations which are pending in negotiations.

For FY17/18 the required Services and Supplies budget reduces to $715,846.60.

In the final year of the 5 year forecast ending in FY20/21, the Salary and Benefits required revenues are $1,720,096.19.

The Services and Supplies budget will increase to $746,846.60 based on a 2% inflationary factor per annum.

The original Fund Balance from the $1,000,000.00 anticipated startup results in $782,526.49 for FY16/17, lowering to $654,411.19 in FY19/20 and then an upswing starting in FY20/21 to $670,292.47. Each of these years is assuming a 3% inflationary measure being passed by the San Bernardino County Board of Supervisors.

Several variations of the final funding outlay have been incorporated to show the fiscal solvency of the service plan for at least the next five years. Based on the potential negotiations between the Twentynine Palms Water District, the City of Twentynine Palms and the County of San Bernardino there may or may not be any form of inclusion of retirement system contributions into the direct operating revenues.

Furthermore, there is a strong likelihood of cost containment resulting in only a minimal inflationary measure being forecast based on operational needs.

This concludes the findings of all available data and factual evidence to support the Plan for Service for the annexation proposal of Twentynine Palms Fire Department into the San Bernardino County Fire District.

I hereby certify that the statements furnished above and the documents attached 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 as of the date prepared. This plan will be revised and updated through the LAFCO process as more information becomes available.



Mark Hartwig, Fire Chief

San Bernardino County Fire District

Additional Appendices:

Appendix J – FY 2014/15 Twentynine Palms Fire Department Budget

Appendix K – FY 2015/16 Twentynine Palms Fire Department Budget

Appendix L – Annual replacement of small equipment

Appendix M – Annual replacement costing of rolling stock

FIRE TAX RATE HISTORY and ASSUMPTIONS

		ACTUAL		FAILED		ASSUMPTION		COUNTY FIRE
Fiscal Yr	(1) Pre Prop 218	Measure O (2)	Measure J (3)	Measure A (4)	Measure H (5)	(6) Citizen Ad Comm	(7) NO Prop 218	FP-5 (8)
1985/1986	33.85							
1986/1987	33.85							
1987/1988	***38.00							
1988/1989	38.00							
1989/1990	45.00							
1990/1991	45.00							
1991/1992	45.00							
1992/1993	53.00							
1993/1994	53.00							
1994/1995	53.00							
1995/1996	57.00							
1996/1997	57.00							
1997/1998		54.00					59.76	
1998/1999		54.00					62.66	
1999/2000		54.00					65.70	
2000/2001		54.00					68.89	
2001/2002		54.00					72.23	
2002/2003		54.00					75.73	
2003/2004		54.00					79.41	
2004/2005		54.00		80.00			83.26	
2005/2006			80.00	81.60			87.30	
2006/2007			80.00	83.23			91.53	117.00
2007/2008			80.00	84.90			95.97	117.00
2008/2009			80.00	86.59			100.62	120.51
2009/2010			80.00	88.33			105.50	124.13
2010/2011			80.00	90.09			110.62	124.13
2011/2012			80.00	91.89			115.98	127.86
2012/2013			80.00	93.73			121.61	131.70
2013/2014			80.00	95.61	120.00		127.51	135.69
2014/2015			80.00	97.52	126.00	100.40	133.69	139.72
2015/2016			80.00	99.47	132.00	120.80	140.18	143.92
2016/2017	(9)		80.00	101.46	138.00	141.20	146.98	148.24
% increase	4.85%			2.00%	4.77%		4.85%	2.39%

(1) Pre Prop 218 Fire Assessment permitted Board to increase annually subject to property owner protest.
(2) June 1997. Passed with 72% approval. Estimated to be sufficient for 5 years, but was in effect for 8 years.
(3) March 2005. 8 year plan passed with 70.5% approval. FY 15/16 will be the 11th year at this tax rate.
(4) March 2004. Increase to $80 with up to 2% annual adjustment. Received only 54% approval.
(5) April 2012. Increase to $120 in 2013 with annual $6 increase for 10 years. Received only 48% approval.
(6) Citizens Committee recommended a $61.20 increase over 3 years followed by annual adjustment up to 3%.
(7) Assumption that there was no Prop 218 and Board continued annualized increases equal to 4.85%.
(8) Helendale/Silver Lakes. Provides for 24-hour full-time firefighter service. Annual adjustment up to 3%.
(9) Assumes 3% increase for FP-5 in FY 16/17.
*** Desert Heights annexation to Water District included imposing the existing Fire Assessment on all parcels being annexed into the district.

ORDINANCE NO. 89

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE TWENTYNINE PALMS WATER DISTRICT AUTHORIZING AND SETTING A SPECIAL TAX FOR FIRE PROTECTION SERVICES INCLUDING EMERGENCY MEDICAL SERVICES

WHEREAS, the Board of Directors of the Twentynine Palms Water District is a County Water District formed and operating under the County Water District Law set forth in Section 30000 et seq. of the Water Code and has the authority to provide fire protection services, including emergency medical services under Water Code Section 31120; and

WHEREAS, the District may, by ordinance, determine and propose for adoption a special tax for fire protection and prevention. Such a proposition shall be submitted to the voters of the District, and shall take effect upon approval of a two-thirds of the voters voting upon such proposition. (Article XIIIC, Section 2; Government Code Sections 50075 et seq., 53970 et seq., 53722, 53724 and 53739) The ordinance proposing such a special tax must be approved by a two-thirds vote of all members of the Board. (Government Code Section 53724)

WHEREAS, the amount of the special tax currently imposed within the District prior to the effective date of this Ordinance has been $54.00 per unit per year. Said amount was established by voter approval of Ordinance 75 in June 1997. At that time, the District contemplated that the rate of $54.00 would only remain in effect for a 5-year period. However, said rate has remained in effect up to the present time. Although the rate has remained the same, the costs and expenses incurred by the District for the provision of fire protection services have increased substantially. For example, the District's fire/medical aid call volume has increased 51% from 1997 to 2004. To meet the increased demand for service, the District added full-time staffing to a second fire station in February 2002. Due to a lack of increased revenue, the District was forced to remove the full-time staffing from the second fire station in March 2004 to balance the budget.

WHEREAS, as a result of the substantial increases in the costs and expenses incurred by the District for the provision of fire protection services, including emergency medical services, and the District's desire to provide full-time staffing at the second fire station, the District desires to adopt this Ordinance No. 89 in order to determine and propose for adoption a special tax for fire protection and prevention and to submit said proposition to the voters of the District for their approval.

NOW, THEREFORE, BE IT ORDAINED, by the Board of Directors of the Twentynine Palms Water District as follows:

1. The Recitals set forth above are incorporated herein and made an operative part of this Ordinance.

2. The Board hereby determines and proposes for adoption a special tax for fire protection and fire prevention, including emergency medical services, with the ballot measure to read as follows:

> "To ensure a dependable and reliable revenue source for the Twentynine Palms Fire Department, enabling the staffing of two fire stations for an estimated eight years, shall the annual special tax for funding of fire and emergency medical services be increased from the current $54.00 per unit to the new amount of $80.00 per unit, as defined in the unit schedule of Ordinance 89 of the District?"

3. The special tax, if voter approved, shall be collected from all taxable property within the District pursuant to a written report which shall contain a description of each lot or parcel of property subject to the special tax, the amount of the special tax for each lot or parcel for each fiscal year, and the basis and schedule for the special tax authorized herein.

4. The annual special tax shall be and is fixed at $80.00 for each unit as per the unit schedule set forth herein.

5. The unit schedule is hereby established as follows:

A. BASIC TAX AMOUNT

Description		Number of Units
Commercial and Industrial (Building Size in Square Footage)		
From	To	
0	3,000	1.0
3,001	6,000	2.0
6,001	9,000	3.0
9,001	12,000	4.0
One (1) unit per each additional 3,000 square foot or portion thereof, OR One (1) unit per Business/Occupancy, whichever is greater.		
Motel, Hotel and Institutional	(Each Rental or Living Unit)	0.25
Residential		
Single Family Residential Dwelling	(Each Dwelling)	1.0
Duplex, Triplex and Apartment Complex	(Each Living Unit)	1.0
Mobile Home Park (Each Living Unit physically located within the Park on June 1st of each year)		1.0

Recreational Vehicle Park (Less 30% seasonal vacancy factor)	(Each Space)	1.0
Unimproved Parcels	(Each Parcel)	0.60

B. LARGE PARCEL AMOUNT

All parcels (improved or unimproved) greater than 5.0 acres shall be taxed an additional amount of $2.00 per acre for each acre, or portion thereof, in excess of 5.0 acres. The Large Parcel Amount shall not exceed the amount of $150.00 per parcel per fiscal year and shall be in addition to the Basic Tax Amount imposed upon any parcel greater than 5.0 acres.

6. The special tax shall be imposed upon any parcel, improvement and use of property to which fire protection and prevention service are made available, as specified in the written report, unless otherwise exempted.

7. The special tax shall be imposed only for the purpose of obtaining, furnishing, operating and maintaining fire suppression equipment or apparatus; for the purpose of hiring and paying salaries and benefits to fire fighting personnel; and for other necessary fire protection and prevention expenses, and for emergency medical services as permitted by law.

8. The special tax shall be collected on behalf of the District by the County of San Bernardino in the same manner and subject to the same penalties as, or with, other charges and taxes fixed and collected by the District, or by the County on behalf of the District.

9. If any provision of this Ordinance or the application thereof to any person or circumstance, is held invalid, the remainder of this Ordinance and the application of such provision to other persons or circumstances shall not be affected thereby and, to this end, the provisions of this Ordinance are severable.

10. To the fullest extent permitted by law, this Ordinance and its special tax authorization and authority shall be binding upon any successors in interest to the District or any successors in interest to the District's fire protection and prevention functions, including emergency medical service functions.

11. Special tax monies raised pursuant to this Ordinance are exempt from environmental analysis under the California Environmental Quality Act pursuant to Public Resources Code Section 21080 (b)(8) since the proceeds of the special tax will be used for: (a) meeting operating expenses, including employee wage rates and fringe benefits; (b) purchasing or leasing supplies, equipment or materials; (c) meeting applicable financial reserve needs and requirements; and (d) obtaining funds for capital projects necessary to maintain service within existing service areas.

12. This Ordinance was introduced at a meeting of the Board held on September 8, 2004. Public hearings were held on September 30, 2004 and October 5, 2004, the notice of which was published in the Desert Trail on September 16 and 23, 2004.

13. This Ordinance shall be effective upon adoption. Within ten (10) days from the date of adoption, this Ordinance shall be published one time in a newspaper of general circulation.

PASSED, APPROVED AND ADOPTED this 5th day of October 2004 by the following roll call vote.

AYES: Directors Anthony, Carter, Cisneros, Moore and Yockey
NOES: None

Edith E. Carter, President
Board Of Directors

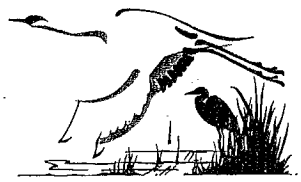
Attest:

Tina Johnson, Board Secretary
Twentynine Palms Water District

Letter from Commission Environmental Consultant Tom Dodson of Tom Dodson and Associates Dated February 8, 2016

Attachment 3

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



February 8, 2016

RECEIVED
FEB 09 2016
LAFCO
San Bernardino County

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

Dear Kathy:

LAFCO 3199 consists of a Sphere of Influence (SOI) Amendment for the San Bernardino County Fire Protection District to encompass the Twentynine Palms Water District's service area. LAFCO 3200 consists of a proposal initiated by the Twentynine Palms Water District (District) to reorganize and annex into the San Bernardino County Fire Protection District (County Fire), its South Desert Service Zone and its Service Zone FP-5 (FP-5) for the provision of fire suppression and emergency medical services. The study area encompasses the entirety of the District boundaries as shown on the attached map. The purpose of the SOI Amendment and Reorganization is to annex the District service area to County Fire and its Service Zone FP-5. The Annexation to County Fire Service Zone FP-5 includes the District service area and the area outside of the District generally identified as the peninsula between Morongo Road and the City of 29 Palms south of the Marine Corps base Currently a part of County Fire.

This change of organization will entail the transfer of the District Fire Department employees, assets obligations, liabilities and responsibilities to County Fire and its related service zone. The consideration of the proposed Reorganization will include the annexation into County Fire Service Zone FP-5 which includes a special tax for funding of fire protection and emergency medical response services. This special tax includes an annual inflationary rate of up to a maximum 3% increase. Annexation to County Fire will allow the District to take advantage of the substantial economies of scale available from this agency, as well as existing County Fire stations and personnel located near to the District. If LAFCOs 3199 and 3200 are approved, County Fire will assume responsibility for providing fire suppression and emergency medical response services for the District.

The Reorganization allowed by LAFCO 3200 represents the best possible replacement of the District existing Fire Department by County Fire. The District existing fire, rescue and emergency personnel and physical assets will be transferred to the County, except for Station 421 which will be a leaseback with the City of Twentynine Palms. In essence, these services will continue to be provided to the District service area residents, but County Fire assumes the responsibility for these services in the future. Accordingly, approval of LAFCOs 3199/3200 has no identified potential to cause any modifications to the physical environment. Given this circumstance, I recommend that the Commission find that a Statutory Exemption (as defined in the California Environmental Quality

Act, CEQA) applies to LAFCOs 3199/3200 under Section 15061 (b) (3) of the State CEQA Guidelines (General Rule), 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 LAFCOs 3199/3200, which will facilitate future emergency response service to the residents of the area to be annexed.

Based on this review of LAFCOs 3199 and 3200 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that LAFCOs 3199/3200 does not constitute a project under CEQA and adoption of the General Rule Statutory Exemption and filing of a Notice of Exemption is the most appropriate determination to comply with CEQA for these actions. The Commission can approve the review and findings for these actions and I recommend that you notice LAFCOs 3199/3200 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 it is completed.

A copy of this exemption should be retained in the LAFCO project file to serve as verification of this evaluation and as the CEQA environmental determination record for LAFCOs 3190/3200. If you have any questions, please feel free to contact me.

Sincerely,

Tom Dodson

Tom Dodson

Draft LAFCO Resolution No. 3212

Attachment 4

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

PROPOSAL NO.: LAFCO 3199

HEARING DATE: FEBRUARY 17, 2016

RESOLUTION NO. 3215

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3199 AND APPROVING THE SPHERE OF INFLUENCE EXPANSION FOR THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT (sphere amendment to include the entirety of the Twentynine Palms Water District boundary which encompasses approximately 56,919 acres (88.94 square miles).

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 sphere of influence amendment (expansion) 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,

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 February 17, 2016 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 opposition; the Commission considered all objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the 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 the sphere of influence amendment

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(expansion) is statutorily exempt from CEQA and such exemption was adopted by this Commission on February 17, 2016. The Commission directed its Executive Officer to file a Notice of Exemption within five working days with the San Bernardino County Clerk of the Board of Supervisors; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the San Bernardino County Fire Protection District should be expanded to include the territory included within the boundaries of the Twentynine Palms Water District, as more specifically described on the attached Exhibits "A" and "A-1" to this resolution; and,

WHEREAS, the Commission determined on September 16, 2015 that a service review would not be required for this sphere of influence amendment as allowed by Government Code Section 56430;

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

1. **The present and planned land uses in the area including agricultural and open space lands:**

   The land area proposed to be included in the sphere of influence of County Fire includes 56,919 acres of varied land uses. Approximately 45 percent of the expanded sphere area is within the City of Twentynine Palms. The City includes areas of rural living (45 percent), single family residential (34 percent), open space residential (3 percent) and public uses/floodway (3 percent).

   The remainder of the sphere expansion area (outside the City) is also primarily residential in nature and includes: rural living (40 percent), single family residential (34 percent), open space residential (7 percent), multi-family residential (3 percent), commercial (4 percent), industrial (3 percent), and public uses and floodway (3 percent).

   The chart, below, depicts the General Plan land use districts (in acres) within the TPWD (proposed sphere expansion area):

Land Use	Acres
City of Twentynine Palms Land Use Designations	
Rural Living	16,184
Single-Family Residential	11,962
Open Space Residential	2,463
Multi-Family Residential	1,056
Commercial	1,407
Institutional	1,056
Public and Floodway	1,056

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County (unincorporated) Land Use Designations	
Resource Conservation (RC)	2,680
Rural Living (RL)	4,444
RL-5	14,571
RL-10	40
Floodway (FW)	
Service Commercial (CS)	
Institutional	
TOTAL SPHERE EXPANSION AREA	**56,919**

Source: Twentynine Palms Water District

Census data indicate that the Twentynine Palms Water District population was approximately 18,072 in 2010. The District's 2012 Service Review indicates that the service territory population is projected to reach 31,974 by 2040, an increase of 44 percent.[1] However, as stated in the Service Review, these projections may represent an unattainable growth trend based on the historic growth of the region. In addition to marginal growth over the last ten years, there are other circumstances in the region that tend to restrict growth (i.e. water quality issues, potential for development restrictions related to the use of septic systems, etc.). Based on these issues, actual growth is expected to be lower.

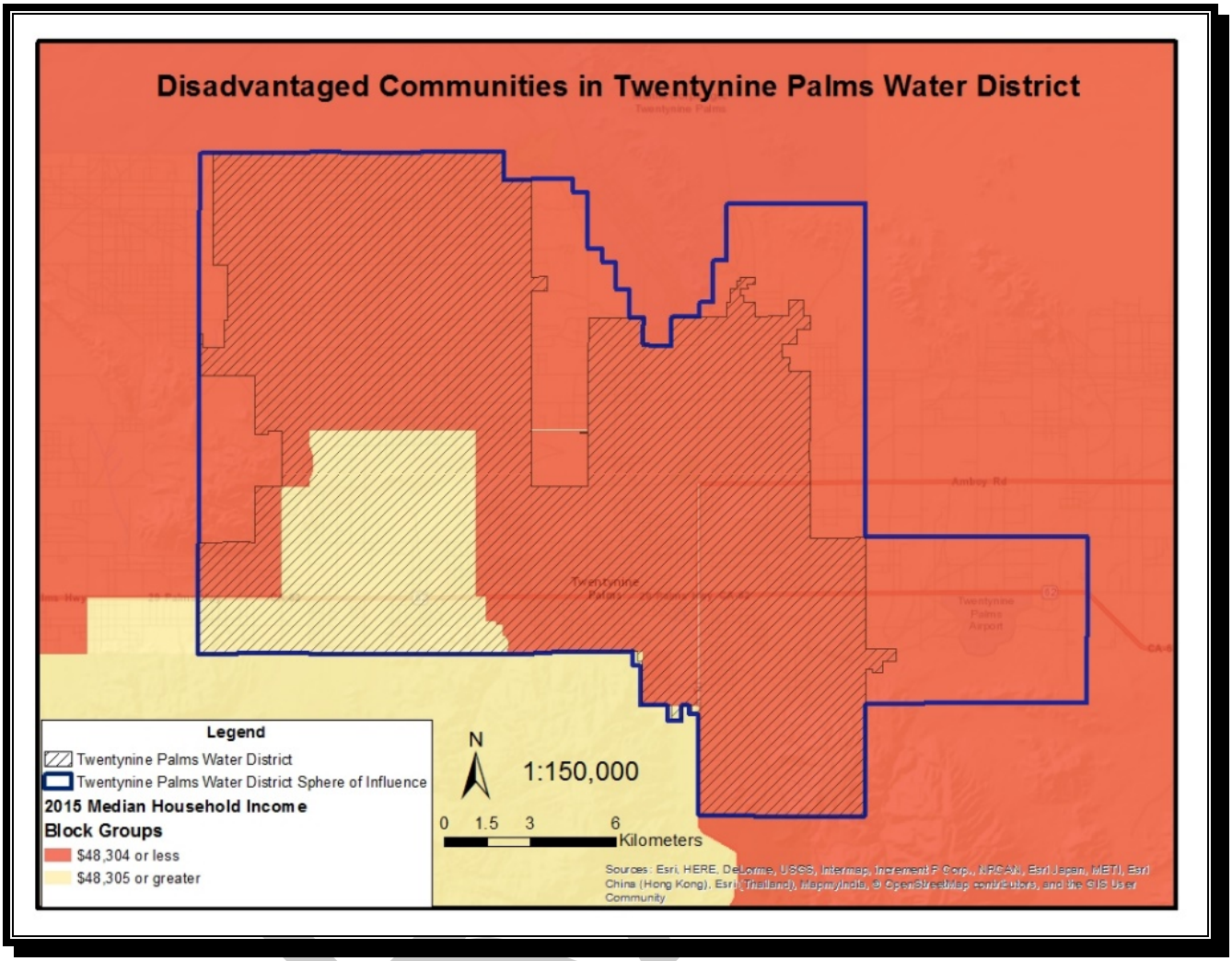
2. The present and probable need for public facilities and services in the area:

The current provision of fire protection and emergency medical response services provided by 29 Palms Fire was reduced from two fire stations to one staffed fire station on June 1, 2013 due to a lack of a sustainable revenue source. Without a change in governance, further reductions in service will be required to be implemented on July 1, 2016. Should these additional service cuts be implemented, the level of fire and emergency protection services provided by 29 Palms Fire may jeopardize public safety for residents and businesses within the Twentynine Palms Water District boundary.

Government Code Section 564215(e) (5) directs the Commission to evaluate the present and probable need for the delivery of structural fire protection within a disadvantaged unincorporated community. LAFCO 3199 addresses unincorporated area as well as an incorporated city area not required by the code section. However, the questions for assurance of service delivery to a disadvantaged community are real in this situation for both incorporated and unincorporated territory. The 2015 Disadvantaged Community Maps maintained by LAFCO identify that the bulk of the area within the Twentynine Palms Water District is disadvantaged and the Commission has an inherent responsibility to assure the continuation of this critical public health and safety service. The map below outlines the disadvantaged areas meeting the criteria of State law as earning less than $48,305 per year (80% of Statewide median income):

[1] The projected District growth was calculated using a combination of growth rates identified in the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan's Integrated Growth Forecast for the City of Twentynine Palms and County unincorporated data forecasts.

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

County Fire operates 75 fire stations serving approximately 750,000 residents in approximately 16,535 acres of unincorporated territory plus seven incorporated cities including Adelanto, Fontana (through contract with subsidiary district), Grand Terrace, Hesperia (through contract with subsidiary district), Needles, Victorville, and Yucca Valley. County Fire provides a full range of emergency services, including ladder trucks, fire boats for water rescues, snow cats for winter operations, heavy equipment for flooding and earth moving, ambulance transportation in seven ambulance operating areas, paramedics and large incident command and control capability. County Fire is the largest provider of pre-hospital care in the County and the second largest ambulance provider.

The package of applications submitted by the Twentynine Palms Water District is intended to ensure adequate, long-term fire protection and emergency medical response

services for the residents of the District. The Twentynine Palms Water District can no longer afford to continue funding these services at appropriate levels.

4. The existence of any social or economic communities of interest as determined by the Commission to be relevant to the agency:

Social and economic communities of interest include: the City of Twentynine Palms, the Twentynine Palms Marine Corps Base, Joshua Tree National Park and the Morongo Unified School District. The Commission's 2012 Municipal Service Review clearly identified the community of Twentynine Palms as being the area of the sphere of influence assigned the Twentynine Palms Water District. The implementation of a fiscally sustainable agency to provide adequate levels of fire protection and emergency response, supports the economic and social community defined by the boundaries of the Twentynine Palms Water District over the long-term and is critical for the safety and well-being of the community's residents and travelers along Highway 62.

5. Additional Determinations

- Legal notice of the Commission's consideration of the proposal has been provided through publication of a 1/8th page advertisement in *The Sun* and *The Desert Trail*, newspapers of general circulation in the area. In addition, individual notices were provided to all affected and interested agencies, County departments and those individuals and agencies requesting special notice.

- The map and legal description for this sphere of influence amendment was prepared and certified by the County Surveyor's Office.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the San Bernardino County Fire Protection District shall be limited to the following:

San Bernardino County	Fire	Structural, watershed, prevention, inspection, suppression, weed abatement, hazardous materials services, rescue, first aid, ambulance transportation, emergency response, and disaster preparedness planning

As a function of LAFCO 3200, it is proposed that the Twentynine Palms Water District be divested of its fire authorities which would change its listing of active functions and services to the following:

Twentynine Palms	Water	Retail, agricultural, domestic, replenishment
	Sewer	Planning and engineering

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The nature and location of the provision of the services by the San Bernardino County Fire Protection District to the Twentynine Palms community will be considered within the companion proposal, LAFCO 3200.

WHEREAS, having reviewed and considered the determinations as outlined above, the Commission determines to expand the sphere of influence for the San Bernardino County Fire Protection District, encompassing approximately 59,919 acres (93.6 square miles) representing the boundaries of the Twentynine Palms Water 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 Exhibits "A" and "A-1" as being within the sphere of influence of the San Bernardino County Fire Protection District, it being fully understood that the amendment of such 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 County Fire Protection District and City of San Bernardino shall indemnify, defend, and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

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 February 17, 2016.

DATED:

_____

KATHLEEN ROLLINGS-MCDONALD
Executive Officer

DRAFT

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: **FEBRUARY 10, 2016**

FROM: **KATHLEEN ROLLINGS-McDONALD, Executive Officer**
ROBERT ALDRICH, Consultant
SAMUEL MARTINEZ, Assistant Executive Officer

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **AGENDA ITEM #8 - LAFCO 3200 – Reorganization to include Annexation of the Twentynine Palms Fire Department to the San Bernardino County Fire Protection District, its South Desert Service Zone, its Service Zone FP-5, and the Divestiture of the fire function from the Twentynine Palms Water District**

INITIATED BY:

Resolutions of the Board of Directors of the Twentynine Palms Water District and the San Bernardino County Fire Protection District

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Modify the proposal to expand the area proposed for annexation into the San Bernardino County Fire Protection District Service Zone FP-5 to add approximately 3,980 acres generally described as the peninsula of land between Morongo Road and the City of Twentynine Palms, south of the Marine Corps Air Ground Combat Center;

2. Certify that LAFCO 3200 is statutorily exempt from environmental review, and direct the Executive Officer to file a Notice of Exemption within five (5) days;

3. Approve LAFCO 3200 with the following conditions:

    a. Standard conditions for a change of organization;

b. The effective date of this reorganization shall be no earlier than July 1, 2016 subject to completion of terms and conditions outlined in this resolution for approval as authorized by Government Code Sections 56886(p) and 57202;

c. Upon the effective date of the reorganization, the San Bernardino County Fire Protection District (hereafter "County Fire" or "SBCFPD") South Desert Service Zone, as the Successor District to the fire and emergency medical response obligations of the Twentynine Palms Water District through divestiture of its fire function, shall succeed and/or be assigned all rights, duties, responsibilities, properties (both real and personal except as further described in conditions below), contracts, equipment, assets, liabilities (excluding California Public Employees Retirement Fund as detailed in condition e below), obligations, functions, executory provisions, entitlements, permits and approvals of the Twentynine Palms Fire Department (a division of the Water District hereafter identified as "29 Palms Fire"). All outstanding special parcel tax revenues attributable to the Twentynine Palms Water District Ordinance #89 for fire protection and emergency medical response including delinquent taxes and any and all other collections or assets of 29 Palms Fire, shall accrue and be transferred to the Successor District pursuant to 56886(i). Said Successor District shall be subject to the terms and conditions contained herein;

d. Upon the effective date of the reorganization including annexation and divestiture, pursuant to the terms specified in the Plan for Service, attached as Exhibit "B" and the updated Employee/Property Transition Plan, attached as Exhibit "C", all current 29 Palms Fire employees (excluding the Fire Chief) shall transfer to the San Bernardino County Fire Protection District South Desert Service Zone with comparable position classifications, rates of pay, accrued vacation and sick leave, vacation and sick leave accrual rates, and seniority rights. Said employees shall become subject to the terms and conditions set forth in said Plan for Service. All transferred employees shall be subject to the terms and conditions of the respective San Bernardino County Fire Protection District Memorandum of Understanding in place as of the effective date of the reorganization including annexation for their successor classification;

e. Upon the effective date of the reorganization including annexation and divestiture, the Twentynine Palms Water District shall retain the obligations for PERS unfunded retirement obligations attributed to the safety portion of the District's CalPERS plan, or other contractual obligations related to retirement approved by the District for all suppression and prevention District employees transitioning to County Fire. Prior to issuance of the Certificate of Completion a copy of the signed contractual agreement between the Twentynine Palms Water District and the City of Twentynine Palms shall be provided to the Local

Agency Formation Commission. Such agreement shall address the full satisfaction of such unfunded liability, both during inactive status and upon termination of the safety portion of the District's CalPERS plan, minus a lump sum payment of the estimated ongoing unfunded liability as of June 30, 2016 by the District out of the Fire Department fund balance made prior to the effective date of the reorganization. The remaining unfunded liability, both during inactive status and upon termination of the safety portion of the District's CalPERS plan, shall be paid first from assets deposited in an irrevocable trust dedicated exclusively to the payment of such unfunded liability and consisting of, but not limited to:

(i) Fire Department fund balance at June 30, 2016 less amounts for payment of severance, compensated sick leave transfer to County Fire, payment of vacation buyouts and annexation costs specified in the contractual agreement;

(ii) receipts for the sale of the Fire Station to the City of Twentynine Palms; and

(iii) the payment of additional annual revenues as specified in the contractual agreement.

Any remaining unfunded liability not covered from assets in the irrevocable trust shall be provided for in full pursuant the terms of the contractual agreement;

f. Prior to the issuance of the Certificate of Completion, the Twentynine Palms Water District shall provide to the Executive Officer of LAFCO documentation that it has obtained a Workers' Compensation tailing insurance policy covering all worker compensation claims of all Twentynine Palms Water District fire suppression personnel transitioning to County Fire;

g. Upon the effective date of the reorganization including annexation and divestiture, the Successor District shall accept all facilities transferred from the Twentynine Palms Water District in "as is" condition [pursuant to Government Code Section 56886(h)]. All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.) rolling stock, tools, office furniture, fixtures and equipment, lands, buildings, real and personal property and appurtenances held by the Twentynine Palms Water District, except for Fire Station #421 to be transferred to the City of Twentynine Palms, for the purpose of providing fire protection and emergency medical response, shall be transferred to the Successor District, the South Desert Service Zone of SBCFPD. All quitclaim deeds to effectuate the transfer of land and/or buildings and the title transfer documents for vehicles shall be prepared by the Twentynine Palms Water District to be filed upon the effective date of the change with copies provided to LAFCO;

h. Upon the effective date of the reorganization to include annexation and divestiture, Ordinance #89 for collections of a special tax upon the real

property within the boundaries of the Twentynine Palms Water District for Fiscal Year 2016-17 and beyond shall be void;

i. Pursuant to the provisions of Government Code Section 56886(e) the SBCFPD Board of Directors shall be required to create a new sub-service zone under FP-5 to isolate the special tax revenue contributed by the territory within the Twentynine Palms community proposed for annexation into Service Zone FP-5 by LAFCO 3200. After conclusion of the protest hearing pursuant to Government Code Section 57000 et seq., but prior to the issuance of the Certificate of Completion, as authorized by Government Code Section 56886(o), the Board of Directors of the SBCFPD shall provide the LAFCO Executive Officer with documentation identifying how the provisions contained in Health and Safety Code Section 13950 to form the new Service Zone of FP-5 will be implemented by County Fire. All actions required by the SBCFPD to implement the special tax shall be completed prior to the August 8, 2016 due date for placement of the special tax on the tax rolls by the San Bernardino County Treasurer/Tax Collector;

j Prior to the issuance of the Certificate of Completion for the reorganization to include annexation and divestiture, pursuant to the provisions outlined in Government Code Section 56886 (i), (o) and (s), the Commission requires that the successor district, the South Desert Service Zone of SBCFPD and the City of Twentynine Palms finalize a lease agreement for the continuing use of Fire Station #421. The lease payments are identified by the affected parties to provide for payment of the following:

(1) Repayment of improvements at the station funded by the City of Twentynine Palms with a seven year payment schedule for a total of approximately $210,000; and

(2) Transfer of 50% of the proceeds of prior Twentynine Palms Water District Ordinance #89 special fire taxes and fines, forfeitures and penalties attributable to the operations of the Twentynine Palms Water District to be placed in the Irrevocable Trust for Unfunded Retirement payments annually outlined in Condition e above. These payments are scheduled to begin in Fiscal Year 2018-19;

k. The Successor District, South Desert Service Zone, shall also assume all joint use, maintenance, automatic aid or mutual aid agreements held by the Twentynine Palms Water District Fire Department [Government Code Section 56886(r)]. Amendments of existing agreements required for successful transfer shall be completed and submitted to the Local Agency Formation Commission prior to the issuance of the Certificate of Completion to address any changes [Government Code Section 56886(r)(v)];

l. Upon the effective date of this reorganization, any funds currently deposited for the benefit of the Twentynine Palms Water District fire operations which have been impressed with a public trust, use or purpose,

shall be transferred to the Successor District and said District shall separately maintain such funds in accordance with the provisions of Government Code Section 57462;

m. Upon the effective date of this reorganization, any funds currently deposited with the 29 Palms Fire for the benefit of its Explorer program shall be transferred to the successor district and said district shall maintain those funds impressed with a public trust, use or purposes separately in accordance with the provisions of Government Code Section 57462;

n. As of the date of approval of the reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the Board of Directors of the Twentynine Palms Water District shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5, and such action is supported by the San Bernardino County Fire Protection District:

a) **No Increase in Compensation or Benefits:** No increase in calculation for payment of benefits or compensation for employees of the Twentynine Palms Water District Fire Department shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2015-16.

b) **Bound by Current Budget:** No appropriating, encumbering, expending, or otherwise obligating any revenue of the Twentynine Palms Water District Fire Department beyond that provided in the current budget at the time of Commission approval, unless agreed to by the Successor District, shall be allowed..

o. The Twentynine Palms Water District and the San Bernardino County Fire Protection District, applicants for this change of organization, shall indemnify, defend and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission;

4. Adopt LAFCO Resolution No. 3216 setting forth the Commission's determinations and conditions of approval concerning this proposal and specifying that the protest period for this change of organization shall be 30 days.

BACKGROUND:

In 1954, the Twentynine Palms County Water District was formed and immediately purchased three private water companies. The District's wells, storage facilities, and

piping served as the initial water system for the District. In 1958, the Twentynine Palms County Water District began to provide fire protection services to the community of Twentynine Palms, under the name Twentynine Palms Fire Department, after the California Department of Forestry ceased providing local fire protection. Over time, the Twentynine Palms Fire Department (hereafter 29 Palms Fire) evolved into a two station, fully staffed Basic Life Support (BLS) operation providing fire, rescue and EMS functions to the citizens of the City of Twentynine Palms and surrounding communities. The 29 Palms Fire is currently a division of the Twentynine Palms Water District (hereafter "TPWD", "Water District", or "District") and is governed by a five-member board of directors.

As detailed in the Commission's 2012 Service Review conducted for the Twentynine Palms community, due to funding shortfalls and subsequent staff attrition, the foundation for 29 Palms Fire's fire and emergency services has eroded over time. Options were reviewed during the 2012-13 timeframe which included a discussion with the San Bernardino County Fire Protection District to assume fire responsibility. However, the determination was made to retain local control of the operation. On June 1, 2013, the provision of fire protection and emergency medical services was reduced from two staffed fire stations to one staffed fire station due to the lack of a sustainable revenue source for continued service provision. Currently, 29 Palms Fire has five full time personnel augmented by a small "paid call" firefighter and volunteer force. According to 2010 Census data, the District's service population is approximately 18,072.

On June 8, 2015, members from the Twentynine Palms City Council and the TPWD formed a four-person ad hoc committee to evaluate the current fiscal status and operational models of both the 29 Palms Fire and the San Bernardino County Fire District. On August 19, 2015, the Twentynine Palms City Council adopted a Resolution of Support for a LAFCO application to annex the TPWD into the San Bernardino County Fire Protection District (hereafter "County Fire"), with divestiture of the Twentynine Palms Water District interest in providing fire and emergency services. On August 26, 2015 the Board of Directors of the Twentynine Palms Water District adopted Resolution 15-14 initiating the sphere of influence amendment and the reorganization to transfer its fire authorities to the SBCFPD. The reason for the proposals was identified in that resolution as:

> *WHEREAS, the reason for the sphere of influence amendment and proposed reorganization is to maintain the existing levels of services while providing for a sustainable revenue source to provide for said service and other related services within the territory of the former Department*

On September 15, 2015 the San Bernardino County Board of Supervisors, as the Board of Directors of County Fire adopted Resolution 2015-182 also approving the initiation of

the set of proposals to transition fire responsibilities from the Water District to County Fire. The actions related to this proposal include:

- Annexation of the territory within the Water District boundaries to County Fire (administrative arm of the District or parent district) and its related Service Zones – South Desert (regional zone which provides boots on the ground service provision) and FP-5 (special tax zone which provides funding for paramedics and fire protection); and,

- Divestiture of the fire function of the Water District allowing for the transfer of the operation to County Fire. Government Code Section 56824.10 et seq sets forth the responsibilities of LAFCO to determine the removal of an active power to provide a function or service authorized under an agency's Principal Act. In this case, Water Code Section 31120 authorizes a Water District to provide fire protection services as outlined Health and Safety Code 13801 et seq.

The narrative that follows provides a discussion of the mandatory factors of consideration as required by Government Code Section 56000 et al. It provides a detailed analysis and discussion of the various aspects of the reorganization and its transition from fire service provided by TPWD to County Fire service as a snapshot in time. This snapshot is represented by the Plan of Service submitted on September 18, 2015, augmented by the Employee/Property Transition Plan submitted on December 17, 2015 and the revised Fiscal Impact Analysis submitted on February 5, 2016. As with all applications for change of organization, the Commission's review will center on making the required determinations in four areas:

1. **BOUNDARIES:** Do the boundaries presented for the reorganization represent a division which makes sense from a service delivery perspective for current and future growth? Are the boundaries definite, certain and easily recognizable? Do the boundaries promote efficient and effective service delivery?

2. **LAND USE**: Will approval of the proposal affect the land use authority or the decisions upon land use options?

3. **FINANCIAL AND SERVICE CONSIDERATIONS:** Does the reorganization represent the best available service option for the affected community? Does it provide for a more efficient and effective form of government? Can the annexing or successor district continue to provide the level of services which existed prior to the change? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?

4. **ENVIRONMENTAL:** Will the proposed reorganization have an adverse environmental effect that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

BOUNDARIES:

BOUNDARIES: Do the boundaries presented for the reorganization represent a division which makes sense from a service delivery perspective for current and future growth? Are the boundaries definite, certain and easily recognizable? Do the boundaries promote efficient and effective service delivery?

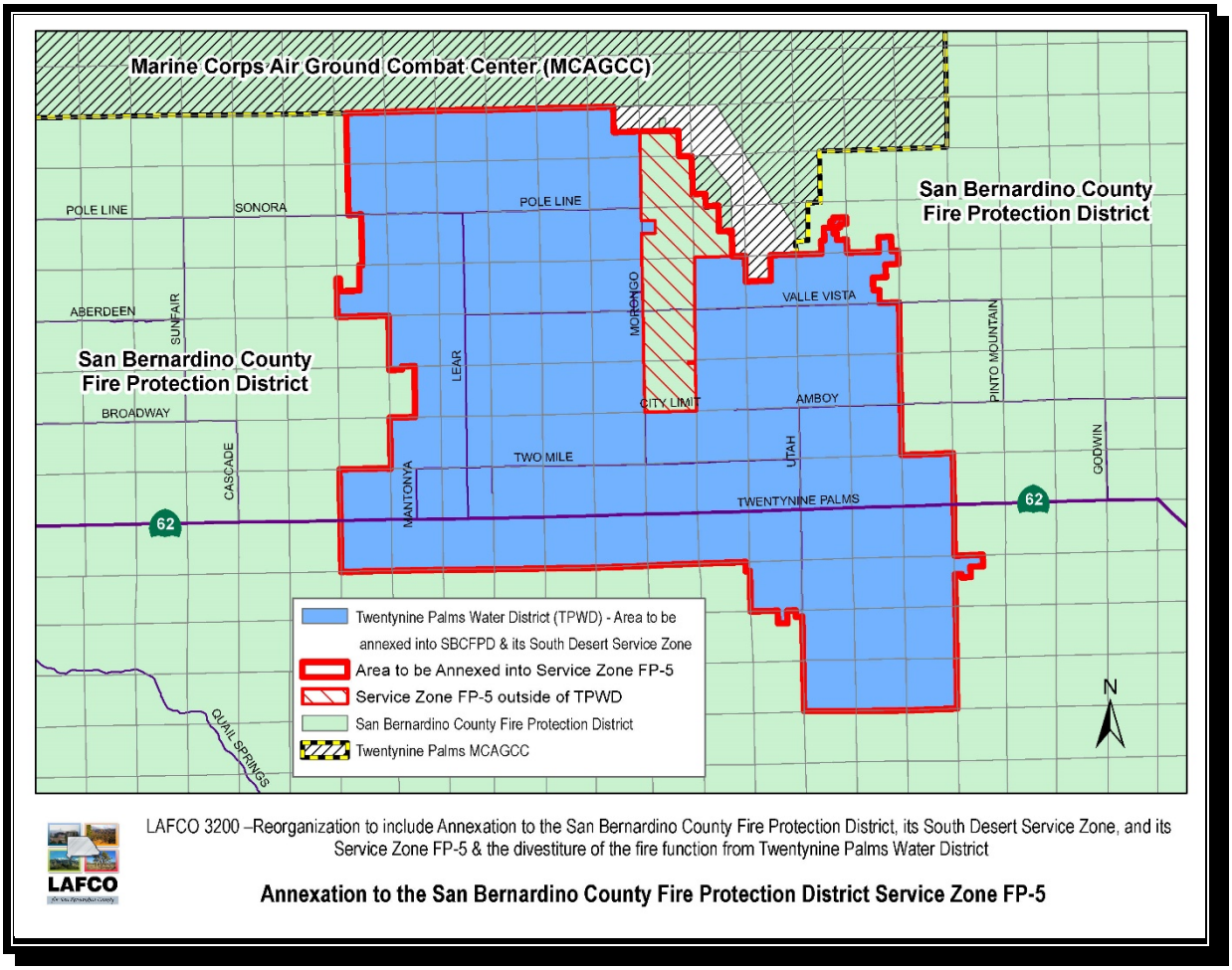
Located in the south desert region of the County, TPWD is generally bordered by the Joshua Tree National Park on the south, the Joshua Basin Water District on the west, the Twentynine Palms Marine Corps Base on the north, and the Wonder Valley community, defined by County Service Area 70 Zone M, on the east. The City of Twentynine Palms, except for that portion of the Twentynine Palms Marine Corps Base located within the City, is located within the boundaries of TPWD.

There are two defined areas within the proposed reorganization territory:

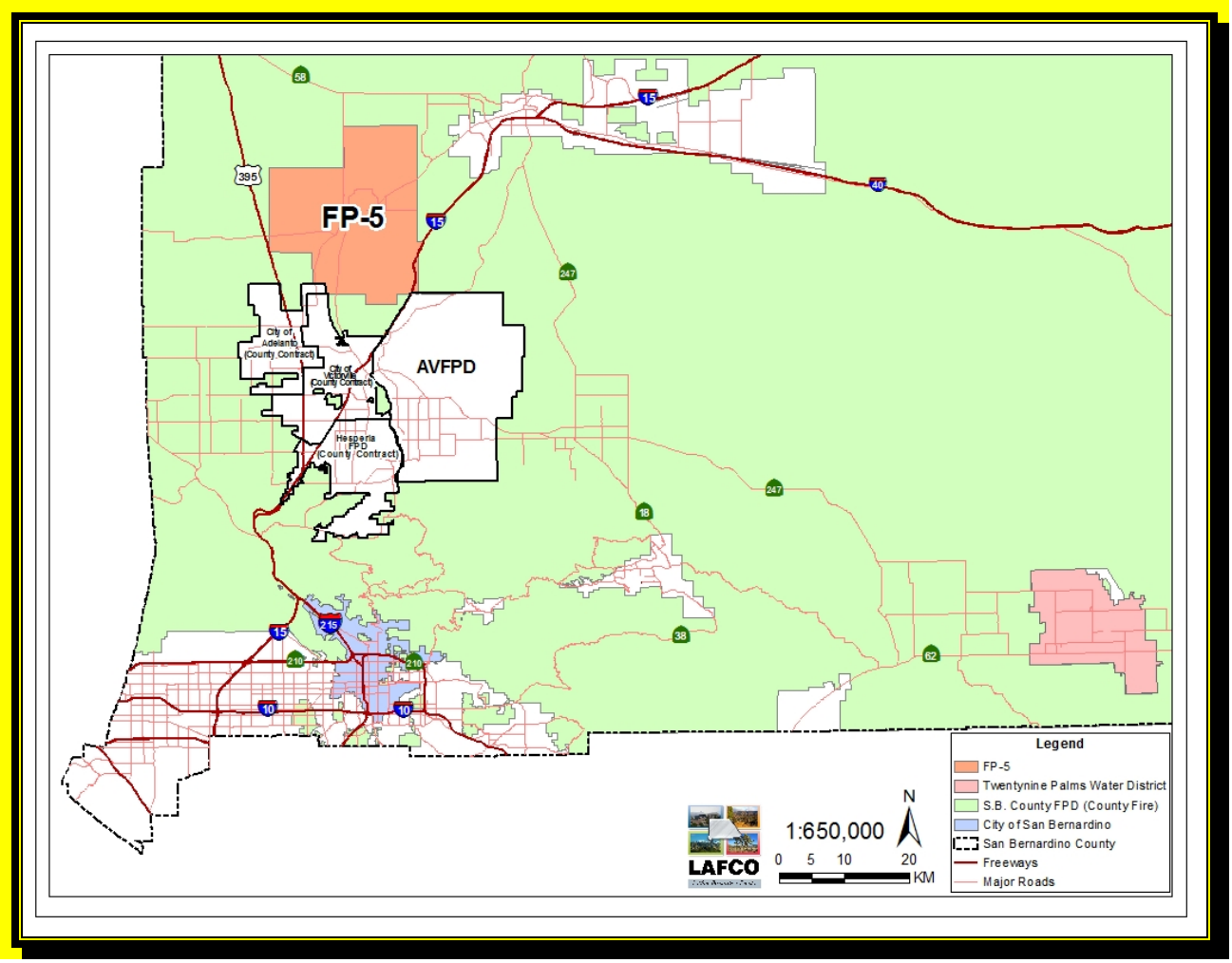
- Area 1 of the reorganization includes the entirety of the Water District's boundary (approximately 56,919 acres) which is proposed for annexation into County Fire, and it's South Desert Service Zone.

- Area 2, as proposed for modification by LAFCO staff, includes annexation of the Water District boundary and the approximate 3,980 acre area outside of the Water District boundary (generally described as the peninsula of land between Morongo Road and the City of Twentynine Palms, south of the Marine Corps Air Ground Combat Center) into County Fire's Service Zone FP-5. This area outside the Water District boundary is currently served by County Fire and its South Desert Service Zone but is proposed for inclusion within Service Zone FP-5 to address financing to capture the service delivery area in its entirety.

Annexation of the reorganization territory into Service Zone FP-5 allows for the collection of a special tax from property owners to fund ongoing fire protection and emergency medical response. For those properties currently within the Water District it would replace the special tax which property owners currently pay (through Ordinance 89) to support existing fire services. For the peninsula area it would overlay a new special tax for funding the delivery of this service. A map depicting the proposed reorganization boundaries is included below:



As noted above, the proposal provides for annexation of the study area (i.e., the Twentynine Palms Water District and the peninsula area) into County Fire's Service Zone FP-5, which collects a special tax from property owners to fund ongoing fire protection and fire paramedic services. The current rate for Service Zone FP-5 is $143.92 per parcel for Fiscal Year 2015-16. Annual increases cannot be increased more than 3% per year. If the maximum increase is approved for Fiscal Year 2016-2017, the first year of County operations, the per parcel fee would be $148.23. The map below provides for an illustration of the proposed boundaries of County Fire Service Zone FP-5.



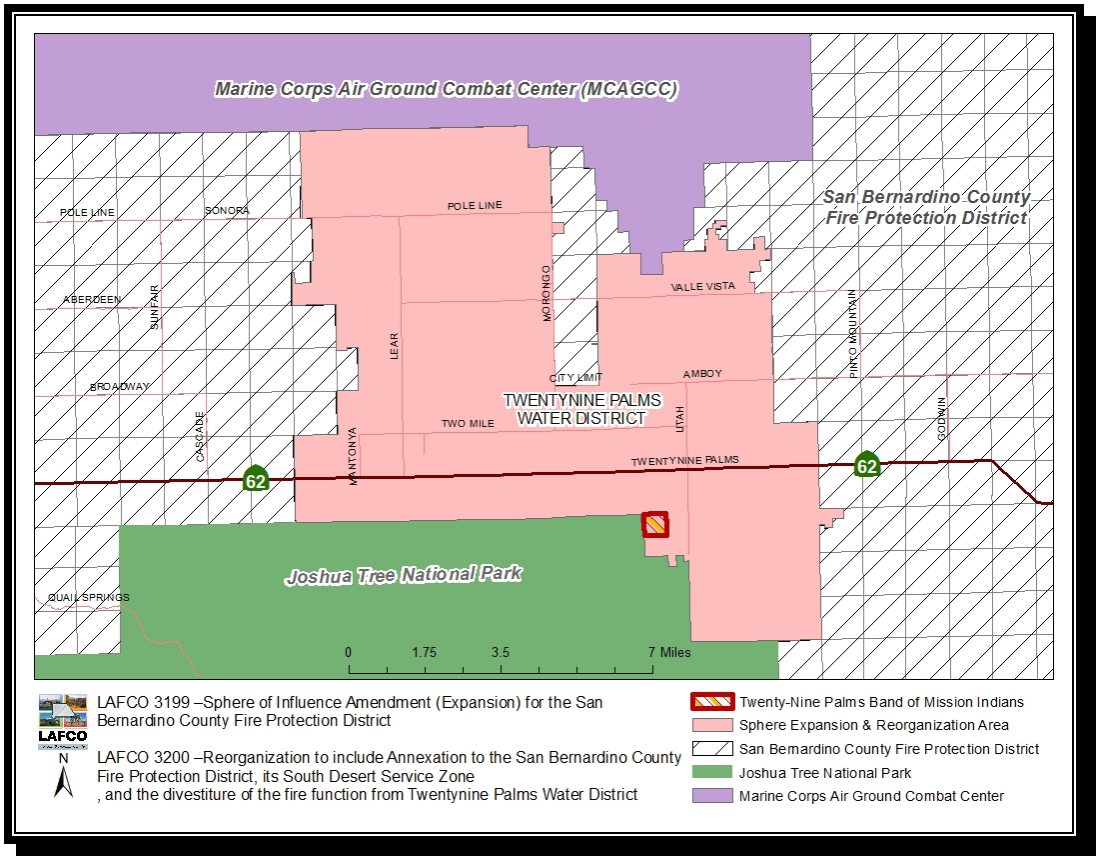
During the staff review process for LAFCO 3200 and the City of San Bernardino fire reorganization proposal (LAFCO 3198) one of the concerns identified was the need for transparency in the collection and use of the Service Zone FP-5 special tax applied to parcels within individual communities. In order to identify a means to isolate the revenues received within the Twentynine Palms community, staff is proposing a condition of approval that requires County Fire to develop: (1) a subzone of FP-5 to address the study area of LAFCO 3200 prior to placement of the special tax on the tax rolls and (2) an outline of the process and signed statements from SBCFPD (including the designation and map and legal of the subzone) be provided prior to the issuance of the Certificate of Completion for the reorganization. The proposed language is:

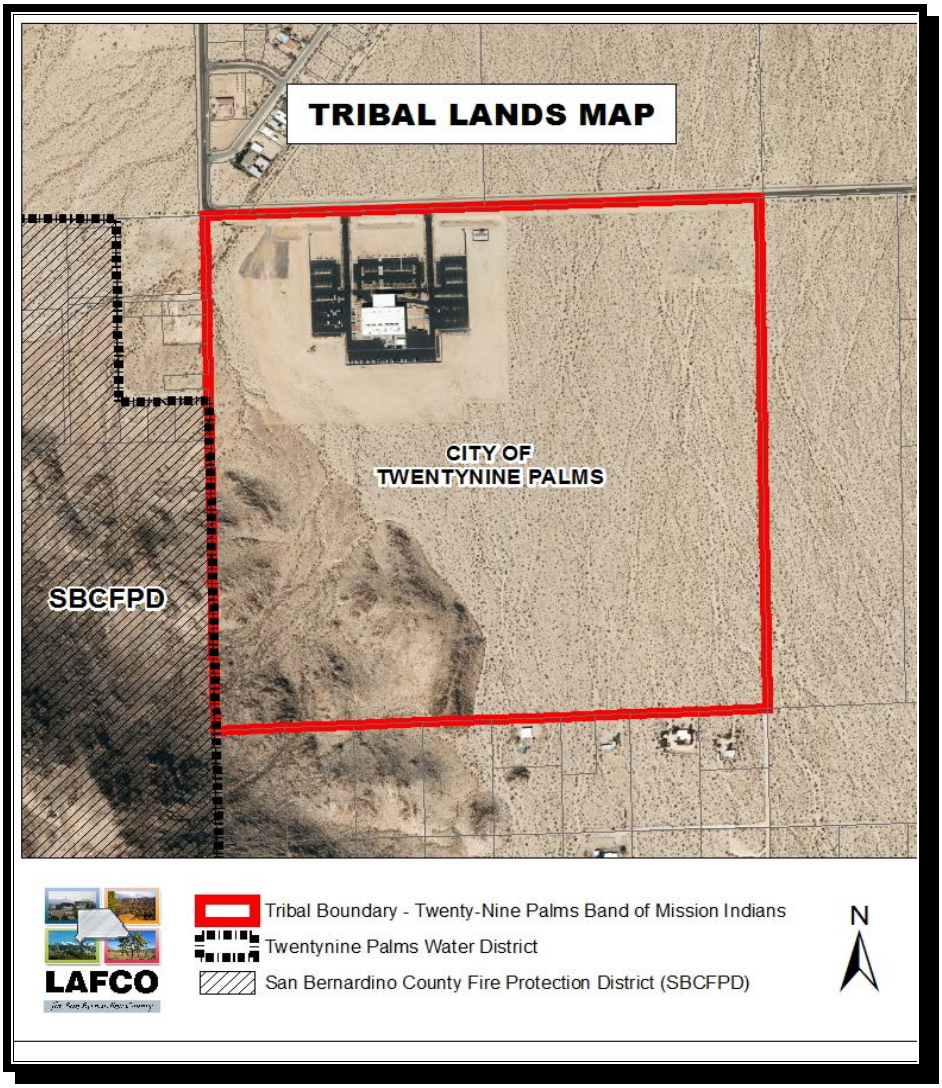
- Pursuant to the provisions of Government Code Section 56886(e), the SBCFPD Board of Directors shall be required to create a new sub-service zone under FP-5 to reflect the territory to be annexed as a function of the reorganization to include annexations and divestiture of fire powers

identified as LAFCO 3200. After conclusion of the protest hearing pursuant to Government Code Section 57000 et seq., but prior to the issuance of the Certificate of Completion as authorized by Government Code Section 56886(o), the SBCFPD Board of Directors shall provide the LAFCO Executive Officer with documentation identifying how the provisions contained in Health and Safety Code Section 13950 to form a new Service Zone of FP-5 to isolate the special tax revenue contributed by the territory will be implemented by the District. All actions required by the SBCFPD to implement the special tax shall be completed prior to the August 8, 2016 due date for placement of the special tax on the tax rolls by the San Bernardino County Treasurer/Tax Collector.

Tribal Lands:

The Twentynine Palms Band of Mission Indians has tribal lands located in the southeastern portion of the Water District's boundaries abutting the Joshua Tree National Park. The map which follows provides a graphic illustration of the location of the Tribal Lands within LAFCO 3200 proposed for annexation:





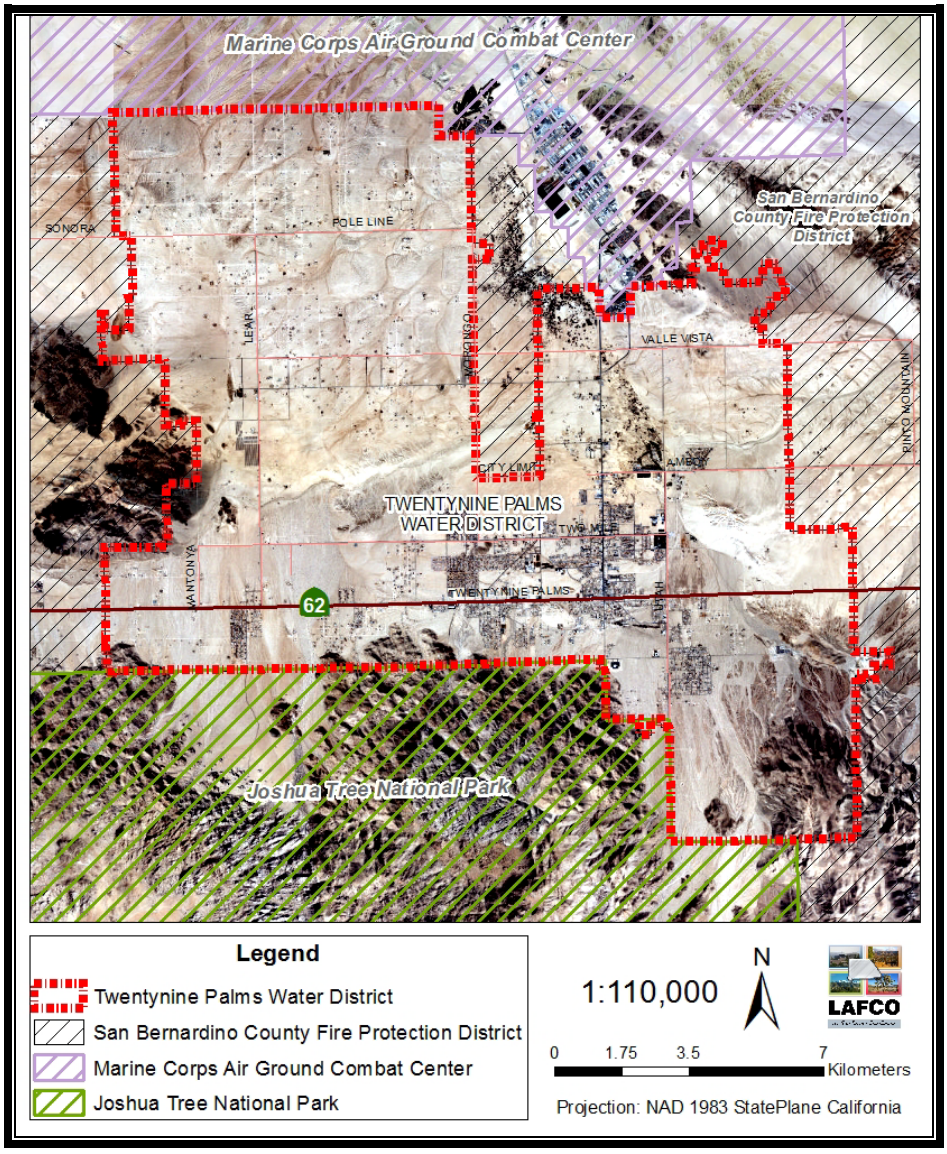
LAFCO staff contacted the Tribal Council for the Twenty-nine Palms Band of Mission Indians to request that it review the proposed annexation and, if it did not object, to provide a resolution to allow for the overlay of the San Bernardino County Fire Protection District and its Service Zones South Desert and FP-5 over its tribal lands. On December 2, 2015, by Resolution No. 2015-024, the Tribal Council consented to the inclusion of its tribal area within County Fire. A copy of this resolution is included as a part of Attachment #2 to this report.

Based upon the review of the proposal, it is staff's position that LAFCO 3200 provides for a definite and certain boundary as required by LAFCO law for all the affected agencies, both Successor and continuing service providers. It provides for the inclusion of the community of Twentynine Palms in the funding mechanism to provide for fire protection and emergency medical response through Service Zone FP-5 so that those receiving service provide for its financing. Therefore, the boundaries as modified can be supported.

LAND USE:

LAND USE: Will approval of the proposal affect the land use authority or the decisions upon land use options?

The study area, approximately 60,755 acres (94.9 square miles) in size, includes territory within the City of Twentynine Palms (approximately 55%) and the unincorporated County (approximately 45%). As indicated on the Table below, land uses within the study area are predominantly residential (Rural Living, Single Family Residential, Open Space Residential and Multi-Family Residential), but also include significant acreage designated for Resource Conservation, Commercial, Industrial and Public and Floodway uses. The map which follows provides a graphic view of these land uses (a copy is also include in Attchment #1.



Land Use Districts within Twentynine Palms

Water District

Land Use	Acres
City of Twentynine Palms Land Use Designations	
Rural Living	16,184
Single-Family Residential	11,962
Open Space Residential	2,463
Multi-Family Residential	1,056
Commercial	1,407
Institutional	1,056
Public and Floodway	1,056
County (unincorporated) Land Use Designations	
Resource Conservation (RC)	2,680
Rural Living (RL)	4,444
RL-5	14,571
RL-10	40
Floodway (FW)	
Service Commercial (CS)	
Institutional	
TOTAL ACRES	**56,919**

Source: City of Twentynine Palms

The review and approval of LAFCO 3200 will have no direct effect on the land use designations assigned within the annexation area by the City or County. It will, however, assist implementing the goals of both the City's General Plan (Policy SF-4.6: "Cooperate with outside agencies to ensure fire, police and medical personnel, equipment and services should adequately meet the needs and serve all areas of the planning area.") and the County's General Plan (Policy S 3.1: "Continue the Fire Department's consolidation efforts to develop an integrated approach to coordinate the County's present and future needs in fire protection services in response to fire hazards and risks…").

In the subject area, the 2010 Census count was 18,072. The annual growth rate since 2010 has been 0.3% through 2015. These figures are from the Environmental Systems Research Institute ("ESRI").

Growth Rates - Twentynine Palms Water District

Year	Population	Annual % Change	Source
2000	15,925	--	U.S. Census
2010	18,072	1.3%	U.S. Census
2015	18,358	0.3%	ESRI Estimate
2020	18,921	0.6%	ESRI Estimate

From 2020 to 2035, the annual growth rate of 0.6% for the City of Twentynine Palms from the Southern California Association of Government's ("SCAG") *Draft 2016 Regional Transportation Plan* is consistent with ESRI's estimates for 2015 to 2020 as identified above. Therefore, LAFCO staff has used this growth rate in developing population projections through 2035. The result is a 2035 forecast of roughly 20,738 as shown below, with five-year increments.

City of Twentynine Palms Population Projections - 2025-2035

Year	Population Forecast	Source
2025	19,495	LAFCO Revision
2030	20,087	LAFCO Revision
2035	20,738	LAFCO Revision

The Southern California Association of Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5, and approval of LAFCO 3200 will have no direct impact on those determinations.

FINANCIAL AND SERVICE CONSIDERATIONS:

FINANCIAL AND SERVICE CONSIDERATIONS: Does the reorganization represent the best available service option for the affected community? Does it provide for a more efficient and effective form of government? Can the annexing or successor district continue to provide the level of services which existed prior to the change? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?

In May 2012 the Commission opened its discussion of Government Structure Option in its Service Review for the Twentynine Palms Community related to fire services with the following statement (an excerpt of the Service Review related to fire is included as Attachment #4 to this report):

> *The information presented in the Financial section of this report for the District concludes that the District's Fire operations are unsustainable as presently configured. Therefore, a change in governance for its Fire service will need to be considered. Given this, options regarding District expansion cannot be considered (such as expanding into Wonder Valley). Any scenario concerning the transfer of the District's fire function needs to consider service within the City and to the unincorporated portion of the District.*

Following this review, discussions ensued between County Fire and 29 Palms Fire on the question of transfer of service. It appeared that discussions would result in a proposal for change of organization. However, it was ultimately determined by the Water District to retain local control and address the funding insolvency questions through closure of one of the two operated stations. The choice was the Lear Avenue station in the unincorporated area.

Three years later the questions of solvency and sustainability were again discussed by the Board of Directors of the Twentynine Palms Water District related to its fire operation. The only source of funds to provide the service come from the Ordinance #89 flat special tax imposed on parcels within the District without inflationary increase. None of the District's other revenue sources are available to fund fire and emergency medical response services. The District's other operations are enterprise activities supported by service charges which can be spent only on water operations.

The Water District and City of Twentynine Palms created an ad hoc committee to review the challenging questions of how to financially support emergency medical response and fire protection. Ultimately, in August of 2015 the Board of Directors determined that the best option was to annex the service into County Fire and utilize the special tax service zone FP-5 to provide for a per parcel revenue stream. Resolutions initiating the proposal were adopted by both the Water District and County Fire and the City Council of the City of Twentynine Palms adopted a resolution supporting the change. On September 28, 2015 LAFCO staff circulated a Notice of Filing for LAFCO 3200 commencing the review process.

The proposal is to annex the area of the Twentynine Palms Water District to SBCFPD and its South Desert Service Zone. In addition, the proposal as modified by LAFCO staff includes the annexation of the Water District territory and the area identified as the "peninsula" generally located between Morongo Road and the City's boundary, south of the Marine Corps. Base to Service Zone FP-5. The SBCFPD is the parent district and the administrative arm of the Board-governed fire protection district. The regional structure underlying SBCFPD provides for the tailoring of service delivery needs to the unique population, land use and geographic composition of each region:

- The Valley Region includes the County's more densely developed areas;
- The Mountain Region includes urban forested areas with year-round populations; and,
- The two Desert Regions within SBCFPD serve two vastly different population needs: The North Desert region with the I-15/I-40 transportation corridors composed of largely of truck and rail traffic, and the South Desert region comprised of the Highway 62 Corridor, the Colorado River recreational activities and other isolated desert areas.

Transferring the responsibility of the District's territory to the South Desert Service Zone will consolidate service delivery under a single provider from Yucca Valley to the Colorado River allowing for the allocation of resources within the South Desert to accommodate service need rather than by jurisdictional boundary. Conditions have been included in the staff recommendation to designate the successor agency and to address the assignment of these responsibilities.

Key Commission Considerations Related to Service:

In evaluating the proposed reorganization, the most important considerations for the Commission are to ensure that: (1) the service levels will, at a minimum, be maintained; (2) staffing from the District's fire operations (excluding the Fire Chief) to County Fire will transition seamlessly; and, (3) the funding mechanism for the unfunded retirement liability will be addressed. The Plan for Service and the Employee/Property Transition Plan (included as a part of Attachment #2) outline the process for this transition and acknowledge that all active duty District Fire suppression personnel will transfer with comparable County base salary and step, with the exception of the Fire Chief. Upon the effective date of the reorganization, the District will pay to County Fire the cash value of up to 240 hours of a total combined vacation and sick leave per employee to the extent owed each individual. It was identified that the existing Memorandum of Understanding between the Water District and Twentynine Palms Professional Firefighters IAFF Local 4266 was due to expire on May 31, 2016, prior to the anticipated effective date of LAFCO 3200. An amendment to that agreement, to extend the term to July 1, 2016, has been approved by all parties (copy included as a part of Attachment #3).

Questions were reviewed by LAFCO, Water District, County Fire and County staff related to retirement considerations, vacation balances and existing worker compensation claims during the transition process. Since the proposal presented includes the divestiture of fire authority from the Water District, the question on its existing retirement obligations for unfunded liabilities was a crucial consideration. No future revenues for this purpose will accrue to the District as it receives no proceeds of ad valorem taxes and its only other activity is an enterprise function limiting the use of its rates for water purposes only. These discussions included representatives of the City of Twentynine Palms, an interested, but not directly affected agency.

Unfunded Retirement Obligations:

At the outset of the review, it was estimated that the unfunded retirement obligation for closure of the Safety portion of the District's PERS contract would be in the range of $1,000,000 and LAFCO staff proposed the creation of a separate service zone to address that liability. However, it was learned in late November that the amount was actually estimated at $2,950,000, three times the original estimate, setting in motion fervent discussions on the best method to resolve this liability. The finance section of this report provides a detailed description of the ultimate financing of this unfunded liability as determined by the City of Twentynine Palms and Water District at a joint meeting

conducted on December 7, 2015 (a copy of materials and minutes included in Attachment #5) that requires;

- the Safety portion of the District's PERS contract will be placed in "inactive" status upon the effective date of the reorganization; and,

- that the City will assume the long-term obligation for the unfunded balance not covered by existing financing through a contractual relationship.

This unprecedented mechanism to have an agency that is not directly affected by a jurisdictional change assuming an uncapped liability for the Water District's retirement burden caused concern for LAFCO staff. This concern was tempered, to a degree, by the fact that should the Water District's fire operation cease without a jurisdictional change, the City would be required to provide fire service to its territory by statute. In addition, the need to provide emergency medical response and fire protection to the approximately 20,000 residents in the overall community (incorporated and unincorporated) was the staff's primary concern. In effect the use of City funds to resolve this liability dilemma protects the residents of the City of Twentynine Palms while also assisting the residents in the unincorporated sphere area.

In yet another twist to these discussions, in late January, staff learned that the creation of a service zone under County Fire to hold and annually receive the funds necessary to ultimately pay this retirement obligation would not be allowed by the County Auditor-Controller. This shifted the discussion to determining a means to provide for a secure financing mechanism to hold the funds for the ultimate payment as well as receive additional funds until the determination was made to terminate the inactive contract. Development of a viable payment method to address this obligation was the first priority so that the Commission could be able to address the issue of financial sustainability for the delivery of service.

As noted above, the City Council of the City of Twentynine Palms directed its staff to participate in the negotiations to support the transfer of the fire functions of the Twentynine Palms Water District to County Fire. To that end, City staff and Legal Counsel along with Water District staff and their Legal Counsel met and negotiated the development of a mechanism to address this funding under the new scenario. A draft "Assignment and Assumption Agreement" (included as a part of Attachment #5), (hereafter identified as "assumption agreement") has been prepared to provide a contractual means to address the problem. Staff's understanding of the draft document is that it proposes the creation of a public agency Irrevocable Trust, under the entity identified as "Public Agency Retirement Services (PARS)", between the City and PARS to hold the revenues which will ultimately pay for termination of the Water District's Safety Plan under PERS. There are a number of unique aspects to this mechanism, outlined as follows:

- The District's fund balance at June 30, 2016, less outstanding payments, including but not limited to, the Fire Chief's severance package (current estimate is

$119,000), the payment of sick/vacation leave to be transferred to County Fire (current estimate is $37,374), and the 2016-17 payment to PERS for inactive status ($437,000) for an estimate of $746,623 will be deposited in the irrevocable Trust upon the effective date of LAFCO 3200;

- The Water District's Fire Station #421 will be sold to the City for $250,000 and in turn the funds will be deposited in the Irrevocable Trust;

- The Water District shall pay to the City (or directly to the Trust) one-half its annual receipts from its cell tower leases for a five year period not to exceed $200,000; and,

- 50% of the proceeds of prior year Ordinance #89 tax proceeds and fines and delinquencies on an annual basis shall be deposited.

The Draft Assumption Agreement specifies that the termination of the Water District's Safety contract will be at the sole discretion of the City of Twentynine Palms, as it will result in the unfunded liability becoming due in full. LAFCO staff understands this provision as the City maybe assuming an obligation of $2,000,000 or more depending upon the economy and the termination timing of the contract.

Fire Station #421 Lease Issues:

However, the last bullet above needs additional discussion since, as of the effective date of the reorganization, if successful, the proceeds of these taxes will be transferred to the Successor District, the South Desert Service Zone of County Fire, and a non-participant in the assumption agreement. When discussing this with representatives of all sides of the question, it has been determined that the proposed lease of Fire Station #421 by the South Desert Service Zone of County Fire from the City will include a payment schedule to forward these prior year special tax revenues and delinquencies.

LAFCO staff understands that as of February 5, 2016 the payments for this portion of the agreements related to the lease will commence in Fiscal Year 2018-19 with a payment of $160,000, and two subsequent payment of $80,000 for a total of $320,000. This is $120,000 more than the Water District will provide toward funding this obligation which is of concern to LAFCO staff. However, on further review with the affected representatives it was determined that this is a negotiated agreement between the City of Twentynine Palms, the Water District and County Fire, LAFCO is not a party to the agreements, and it is a deal breaker should these terms be changed. So, staff must recommend approval of this methodology in order to secure the ongoing delivery of service to the larger Twentynine Palms community. Based upon our analysis of the situation, staff will include this in its recommended terms and conditions for approval.

The terms and conditions recommended by staff to address these items are:

- Upon the effective date of the reorganization, the San Bernardino County Fire Protection District (SBCFPD) South Desert Service Zone, as the Successor District to the fire protection and emergency medical response obligations of the Twentynine Palms Water District through divestiture of its fire function, shall succeed and/or be assigned all rights, duties, responsibilities, properties (both real and personal except as further described in conditions below), contracts, equipment, assets, liabilities (excluding California Public Employees Retirement Fund as detailed in condition e below), obligations, functions, executory provisions, entitlements, permits, and approvals of the Twentynine Palms Fire Department (a division of the Water District hereafter identified as 29 Palms Fire). All outstanding special parcel tax revenues attributable to the Twentynine Palms Water District Ordinance #89 for fire protection and emergency medical response including delinquent taxes and any and all other collections or assets of Twentynine Palms Water District Fire Department, shall accrue and be transferred to the Successor District pursuant to 56886(i). Said Successor Districts shall be subject to the terms and conditions contained herein;

- Upon the effective date of the reorganization including annexation and divestiture, pursuant to the terms specified in the Plan for Service, attached as Exhibit "B" and the updated Transition Action Plan, attached as Exhibit "C", all current 29 Palms Fire employees (excluding the Fire Chief) shall transfer to the San Bernardino County Fire Protection District South Desert Service Zone with comparable position classifications, rates of pay, accrued vacation and sick leave, vacation and sick leave accrual rates, and seniority rights. Said employees shall become subject to the terms and conditions set forth in said Plan for Service. All transferred employees shall be subject to the terms and conditions of the respective San Bernardino County Fire Protection District Memorandum of Understanding in place as of the effective date of the reorganization including annexation for their successor classification.

- Upon the effective date of the reorganization including annexation and divestiture, the Twentynine Palms Water District shall retain the obligations for PERS unfunded retirement obligations attributed to the safety portion of the District's CalPERS plan, or other contractual obligations related to retirement approved by the District for all suppression and prevention District employees transitioning to County Fire. Prior to issuance of the Certificate of Completion a copy of the signed contractual agreement between the Twentynine Palms Water District and the City of Twentynine Palms shall be provided to the Local Agency Formation Commission. Such agreement shall address the full satisfaction of such unfunded liability, both during inactive status and upon termination of the safety portion of the District's CalPERS plan, minus a lump sum payment of the estimated ongoing unfunded liability as of June

30, 2016 by the District out of the Fire Department fund balance made prior to the effective date of the reorganization. The remaining unfunded liability, both during inactive status and upon termination of the safety portion of the District's CalPERS plan, shall be paid first from assets deposited in an irrevocable trust dedicated exclusively to the payment of such unfunded liability and consisting of, but not limited to:

(i) Fire Department fund balance at June 30, 2016 less amounts for payment of severance, compensated sick leave transfer to County Fire, payment of vacation buyouts and annexation costs specified in the contractual agreement;

(ii) receipts for the sale of the Fire Station to the City of Twentynine Palms; and

(iii) the payment of additional annual revenues as specified in the contractual agreement.

Any remaining unfunded liability not covered from assets in the irrevocable trust shall be provided for in full pursuant the terms of the contractual agreement;

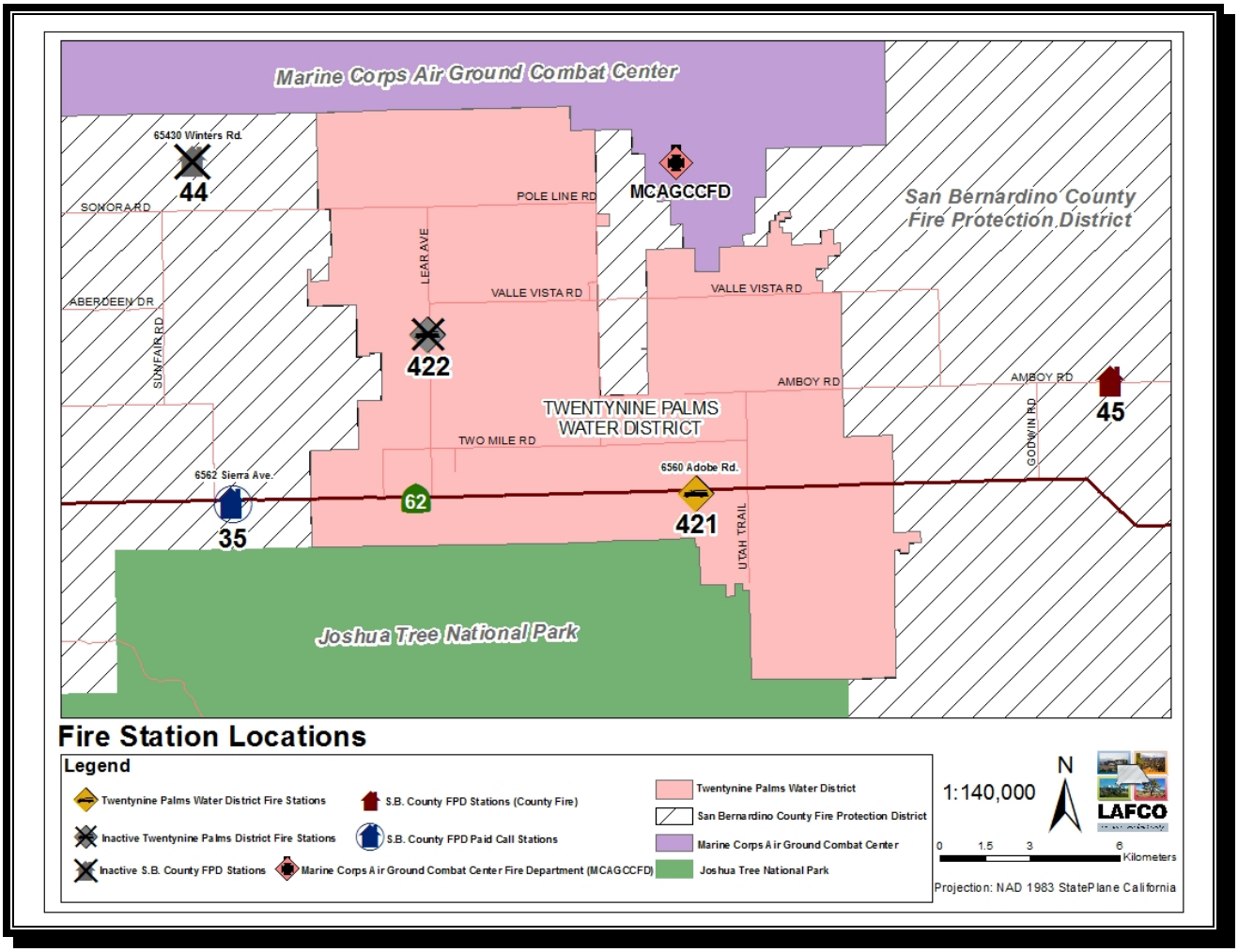
- Prior to the issuance of the Certificate of Completion, the Twentynine Palms Water District shall provide to the Executive Officer of LAFCO documentation that it has obtained a Worker's Compensation tailing insurance policy covering all worker compensation claims of all Twentynine Palms Water District fire suppression personnel transitioning to County Fire.

- Upon the effective date of the reorganization to include annexation and divestiture, Ordinance #89 for collections of a special tax upon the real property within the boundaries of the Twentynine Palms Water District for years 2016-17 and beyond shall be void.

Facility Transfers:

The Employee and Property Transition Plan supplementing the Plan for Service identifies that not all facilities and equipment owned by the Water District for fire purposes will transfer to County Fire. As outlined above, in order to address the retirement issues, Station #421 is to be sold to the City of Twentynine Palms and leased back to the South Desert Service Zone for at least seven years in order to provide service. Through the many changes of organization for the purpose of incorporation, formation of new agencies, the dissolution and transfer of special districts, at no time has the Commission authorized an arrangement such as being presented for LAFCO 3200. Station #421 was built from the revenues received by the Water District's fire operation through the residents of the community and staff has grave concerns regarding the establishment of a precedent for future proposals. LAFCO staff has been assured by the County, the City of Twentynine Palms and the Water District that the unique issues associated with the repayment of the unfunded retirement obligation necessitate this action.

Station #422, the Lear Avenue Station, currently inactive due to budget cuts, will be transferred to the South Desert Service Zone. It will not be activated for general use through approval of LAFCO 3200, but the Transition Plan identifies that County Fire will pursue a continuing joint use of the facility with the Copper Mountain Community College District. The Water District identified its ownership of a vacant parcel along Highway 62 which was donated to the District for a potential future fire station. However, having only direct access to Highway 62 for response was not considered advantageous, so the District is retaining ownership. The map which follows identifies the location of existing fire stations in the general area:



Station #421 is proposed to be manned with full time employees comprising a three person Advanced Life Support paramedic engine or truck company. The equipment identified in the Property Transition Plan identifies the transfer of four vehicles for continuing use by the South Desert Service Zone. The Plan identifies that County Fire will facilitate discussion with the Water District and Copper Mountain College for the use of the five other vehicles.

To effect the changes, staff proposes the following conditions of approval:

- Upon the effective date of the reorganization including annexation and divestiture, the Successor District shall accept all facilities transferred from the Twentynine Palms Water District in “as is” condition [pursuant to Government Code Section 56886(h)]. All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.) rolling stock, tools, office furniture, fixtures and equipment, lands, buildings, real and personal property and appurtenances held by the Twentynine Palms Water District as identified in the Employee/Property Transition Plan identified as Exhibit “C” to this resolution, except for Fire Station #421 are to be transferred to the City of Twentynine Palms, for the purpose of providing fire protection and emergency medical response shall be transferred to the Successor District, the South Desert Service Zone of SBCFPD. All quitclaim deeds to effectuate the transfer of land and/or buildings and the title transfer documents for vehicles shall be prepared by the Twentynine Palms Water District to be filed upon the effective date of the change with copies provided to LAFCO.

- Prior to the issuance of the Certificate of Completion for the reorganization to include annexation and divestiture, pursuant to the provisions outlined in Government Code Section 56886 (i), (o) and (s), the Commission requires that the successor district, the South Desert Service Zone of SBCFPD and the City of Twentynine Palms enter into a lease agreement for the continuing use of Fire Station #421 and provide a copy to the Local Agency Formation Commission. The lease payments are identified by the affected parties to provide for payment of the following:

  (1) Repayment for improvements at Station #421 funded by the City of Twentynine Palms with a seven year payment schedule for a total of approximately $210,000; and

  (2) Transfer of 50% of the proceeds of prior Twentynine Palms Water District Ordinance #89 special fire taxes and fines, forfeitures and penalties attributable to the operations of the Twentynine Palms Water District to be placed in the Irrevocable Trust for Unfunded Retirement payments annually outlined in Condition e above.

FINANCIAL EFFECTS:

County Fire, working in conjunction with the Twentynine Palms Water District and the City of Twentynine Palms, has submitted a Plan for Service, a Fiscal Impact Analysis (FIA), updates to the Plan and FIA and the Employee/Property Transition Plan identifying the expenditures and revenues for transferring the Water District's service responsibility to the South Desert Service Zone of SBCFPD. These Plans have been revised and updated due the analysis of the proposal and the following narrative will address the most current Plan for Service (dated December 15, 2015) and FIA (submitted February 5, 2016).

Historical Expenditures:

As a starting point, it is important to understand the financial position of the District's fire operation. LAFCO staff has reviewed the District's fire operations historical expenditure data for 2008 through 2015 which are shown below:

Twentynine Palms Water District (Fire Function)

	AUDIT								BUDGET
	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES									
Fire Protection Special Tax	$ 1,233,297	$ 1,183,804	$ 1,216,897	$ 1,196,705	$ 1,208,881	$ 1,197,791	$ 1,234,157	$ 1,261,135	$ 1,200,000
Investment Income	50,970	25,754	7,500	5,419	3,959	2,674	2,040	2,642	2,000
Fines, Penalties, & Other	35,446	68,977	50,508	43,691	45,262	51,679	101,709	69,282	43,700
Intergovernmental	-	-	-	-	3,431	4,860	7,291	16,622	
Grants	4,424	43,896	-	-	-	-	-	-	-
Total Revenues	1,324,137	1,322,431	1,274,905	1,245,815	1,261,533	1,257,004	1,345,197	1,349,681	1,245,700
EXPENDITURES									
Staff Payroll & Benefits	658,878	748,093	750,157	806,418	872,707	887,274	695,180	681,563	729,200
Volunteer Payroll & Benefits	107,866	123,934	122,254	154,047	141,934	135,491	112,518	119,211	135,460
Facilities Maintenance & Supplies	12,321	12,343	16,083	9,957	11,697	10,113	12,241	8,999	20,800
Utilities	27,788	25,759	24,174	25,710	25,673	28,740	23,007	21,358	20,880
Outside Services	27,136	29,115	25,725	32,640	94,768	46,213	73,115	23,666	30,000
Miscellaneous	10,976	18,491	17,856	16,756	9,764	10,255	14,431	20,278	6,150
Insurance	18,044	19,745	21,773	25,154	26,998	28,257	25,638	25,837	27,740
Overhead	35,370	32,686	35,918	40,554	40,660	42,161	45,608	46,236	54,960
Safety	1,890	2,653	3,036	2,193	1,876	2,216	606	-	
Training	14,052	10,163	13,397	9,745	2,368	7,648	8,443	3,921	14,040
Communications	104,210	116,003	87,580	102,913	100,626	95,217	87,961	85,665	80,000
Fire Prevention	3,690	3,464	3,882	4,044	3,154	4,463	3,850	4,065	4,150
Emergency Medical Services	5,020	6,014	7,059	6,450	4,528	3,735	3,272	3,967	2,550
Apparatus Maintenance	78,090	64,088	86,158	77,140	67,040	90,287	68,775	69,775	101,280
Uniforms	15,234	11,487	13,317	14,966	5,678	13,518	12,140	16,158	7,500
Bad Debt	-	-	-	-	-	15,496		-	-
Capital Outlay	75,386	143,790	38,683	31,907	3,920	-	-	-	50,000
Total Expenditures	1,195,951	1,367,828	1,267,052	1,360,594	1,413,391	1,421,084	1,186,785	1,130,699	1,284,710
Revenues over Expenditures	128,186	(45,397)	7,853	(114,779)	(151,858)	(164,080)	158,412	218,982	(39,010)
OTHER FINANCING SOURCES									
Transfers In	-	-	-	-			60,854	57,008	57,000
Total Other Financing Sources	-	-	-	-	-	-	60,854	57,008	57,000
Net Change in Fund Balance	128,186	(45,397)	7,853	(114,779)	(151,858)	(164,080)	219,266	275,990	17,990
Fund Balance Beginning	1,274,192	1,402,378	1,281,961	1,289,814	1,175,035	1,023,177	859,097	1,046,017	1,322,007
Prior Period Adjustment		(75,020)					(32,346)		
Fund Balance Ending	$ 1,402,378	$ 1,281,961	$ 1,289,814	$ 1,175,035	$ 1,023,177	$ 859,097	$ 1,046,017	$ 1,322,007	$ 1,339,997

source: Statement of Revenues, Expenditures, and Changes in Fund Balance; for years ending June 30, 2008 - 2015
Fire Budget, 2014-15

The materials provided do not identify a number of items that LAFCO staff would anticipate being present for a fire entity to be determined to be financially solvent: including a reserve for replacement of equipment and facilities, and ongoing maintenance activities to upgrade facilities (not merely to maintain them). The data also include items which would not be expected to appear such as bad debts and the transfers in from other revenue sources. The materials identify the closure of the Lear Avenue station beginning in Fiscal Year 2013-14 resulting in a year-end fund balance increase. However, the expenses for full-time staff begin to escalate into the range of the pre-Lear Avenue closure prompting further solvency questions. This is the information that prompted the District and City of Twentynine Palms to institute the Ad Hoc committee to evaluate alternative funding options.

The materials submitted by County Fire and the County Administrative Office for Finance indicate that the annexation will provide for the continuation of service at current levels. In addition, it is estimated that the transition to County Fire will result in a more consistent staffing pattern since it will provide full-time staffing without the reliance upon volunteers as used in the District's current staffing model. Based upon this determination that the transition of service from the 29 Palms Fire to County Fire provides for an efficient and effective form of government to continue the range and level of service currently provided and that it will not impair the ability of any other agency to provide its range and level of services, the Commission must now turn its attention to the financial considerations of this proposal.

Five Year Financial Projections:

LAFCO staff has reviewed the financial materials submitted by representatives of County Fire and its Legal Counsel, the Water District and its Legal Counsel, the County Administrative Office and its Legal Counsel, and the City of Twentynine Palms and its Legal Counsel along with several revisions the FIA. The spreadsheet which follows outlines the Commission's required five-year financial projection as presented to staff on February 5, 2016 (copy included as a part of Attachment #2):

Twenty-Nine Palms Annexation 5 year Plan	2016 Proposed Staffing Count	2015/16 Average Cost Per Position	2016/17 Average Cost Per Position	2016/17 SBCFPD Proposed Staffing	2017/18 Average Cost Per Position	2017/18 SBCFPD Proposed Staffing	2018/19 Average Cost Per Position	2018/19 SBCFPD Proposed Staffing	2019/20 Average Cost Per Position	2019/20 SBCFPD Proposed Staffing	2020/21 Average Cost Per Position	2020/21 SBCFPD Proposed Staffing	
Staffing													
Station 421 - ME - Capt/Eng/FFPM			5.00%		2.00%		2.00%		3.00%		3.00%		
Captain	3	$ 204,177.00	$ 214,385.85	$ 643,157.55	$ 218,673.57	$ 656,020.70	$ 223,047.04	$ 669,141.12	$ 229,738.45	$ 689,215.35	$ 236,630.60	$ 709,891.81	
Engineer	3	$ 177,614.00	$ 186,494.70	$ 559,484.10	$ 190,224.59	$ 570,673.78	$ 194,029.09	$ 582,087.26	$ 199,849.96	$ 599,549.88	$ 205,845.46	$ 617,536.37	
FF/PM	3	$ 143,816.00	$ 151,006.80	$ 453,020.40	$ 154,026.94	$ 462,080.81	$ 157,107.47	$ 471,322.42	$ 161,820.70	$ 485,462.10	$ 166,675.32	$ 500,025.96	
Total Count of Employees	9												
Total Salary and Benefits			**$ 551,887.35**	**$ 1,655,662.05**		**$ 1,688,775.29**		**$ 1,722,550.80**		**$ 1,774,227.32**		**$ 1,827,454.14**	
Services and Supplies						2.00%		2.00%		2.00%		2.00%	
Services and Supplies Total				**$ 165,000.00**		**$ 168,300.00**		**$ 171,666.00**		**$ 175,099.32**		**$ 178,601.31**	
County overhead					$ 33,000.00		$ 33,660.00		$ 34,333.20		$ 35,019.86		$ 35,720.26
Equipment					$ 14,850.00		$ 15,081.00		$ 15,316.62		$ 15,556.95		$ 15,802.09
Vehicle Maintenance/Fuel					$ 107,250.00		$ 109,395.00		$ 111,582.90		$ 113,814.56		$ 116,090.85
Medical					$ 3,300.00		$ 3,366.00		$ 3,433.32		$ 3,501.99		$ 3,572.03
Insurance					$ 6,600.00		$ 6,600.00		$ 6,600.00		$ 6,600.00		$ 6,600.00
Transfers for Support Services/Admin Costs				**$ 177,280.00**		**$ 180,825.60**		**$ 184,442.11**		**$ 188,130.95**		**$ 191,893.57**	
Administration					$ 124,096.00		$ 126,577.92		$ 129,109.48		$ 131,691.67		$ 134,325.50
Public Information Officer					$ 7,091.20		$ 7,233.02		$ 7,377.68		$ 7,525.24		$ 7,675.74
Human Resources					$ 17,728.00		$ 18,082.56		$ 18,444.21		$ 18,813.10		$ 19,189.36
Warehouse/Support Services					$ 28,364.80		$ 28,932.10		$ 29,510.74		$ 30,100.95		$ 30,702.97
Confire/MIS Support				**$ 142,500.00**		**$ 145,350.00**		**$ 148,257.00**		**$ 151,222.14**		**$ 154,246.58**	
Confire					$ 88,350.00								
MIS					$ 54,150.00								
One Time start up costs including SBCA replacement gear				$ -									
Capital Replacement - Small Tools and Equipment				**$ 5,000.00**		**$ 5,000.00**		**$ 5,000.00**		**$ 5,000.00**		**$ 5,000.00**	
Capital Replacement - Vehicle Equipment Replacement				**$ 61,833.00**		**$ 61,833.00**		**$ 61,833.00**		**$ 61,833.00**		**$ 61,833.00**	
Fire Station Building Lease Sta. 421				**$ 30,672.00**		**$ 31,284.00**		**$ 31,908.00**		**$ 32,544.00**		**$ 33,204.00**	
lease supplement to transfer 50% of water district delinquency to City								**$ 160,000.00**		**$ 80,000.00**		**$ 80,000.00**	
Total Appropriations				**$ 2,237,947.05**		**$ 2,281,367.91**		**$ 2,485,656.93**		**$ 2,468,056.75**		**$ 2,532,232.62**	
Revenues													
Special Tax				16/17		3.00%		3.00%		3.00%		3.00%	
Special Tax FP-5 ($143.91 X 3% = $148.23/parcel @ 15,263 parcels) (factored @ 89% collection rate)				$ 2,013,566.70		$ 2,073,973.70		$ 2,136,192.91		$ 2,200,278.70		$ 2,266,287.06	
LAFCO additional parcels ($148.23 x 334 parcels)				$ 44,062.85		$ 45,384.74		$ 46,746.28		$ 48,148.67		$ 49,593.13	
Delinquent Prior Year Water District Special Tax Revenue (6%)				$ 110,000.00		$ 110,000.00		$ 110,000.00		$ 110,000.00			
Delinquent Prior Year County Fire Special Tax Revenue (6%)						$ 69,909.23		$ 120,010.84		$ 148,333.40		$ 152,783.40	
Other Revenue													
Interest Earned				$ 500.00		$ 750.00		$ 1,000.00		$ 1,500.00		$ 2,000.00	
Penalties (based on 29 Palms' prior year budget figure on their assessment @ $80/parcel)				$ 50,000.00		$ 50,000.00		$ 50,000.00		$ 50,000.00			
Penalties (based on future assessment @ $148/parcel)						$ 31,459.15		$ 54,004.88		$ 66,750.03		$ 68,752.53	
First Responder Fee - 1,680 EMS based calls @ $275 each (12% collection rate)				$ 55,440.00		$ 55,440.00		$ 55,440.00		$ 55,440.00		$ 55,440.00	
Other Revenue - Non-Operating				$ 7,700.00		$ 7,700.00		$ 7,700.00		$ 7,700.00		$ 7,700.00	
Total Revenues				**$ 2,281,269.55**		**$ 2,444,616.81**		**$ 2,581,094.90**		**$ 2,688,150.79**		**$ 2,602,556.11**	
Total Revenues less Appropriations				**$ 43,322.50**		**$ 163,248.90**		**$ 95,437.97**		**$ 220,094.03**		**$ 70,323.49**	
Fund Balance													
Beginning Fund Balance						$ 43,322.50		$ 206,571.40		$ 302,009.37		$ 522,103.41	
TOTAL APPROPRIATIONS				$ (2,237,947.05)		$ (2,281,367.91)		$ (2,485,656.93)		$ (2,468,056.75)		$ (2,532,232.62)	
TOTAL REVENUES				$ 2,281,269.55		$ 2,444,616.81		$ 2,581,094.90		$ 2,688,150.79		$ 2,602,556.11	
Ending Fund Balance				**$ 43,322.50**		**$ 206,571.40**		**$ 302,009.37**		**$ 522,103.41**		**$ 592,426.89**	

The footnotes included with this spreadsheet are needed to fully understand the references. They are shown as follows:

Note: Captains/Engineers/Firefighter Paramedic salaries/benefits based upon averages in bud prep system of SB County Fire

Note: Transfers for support services and admin costs represents share office staff; as well as share of training expenses, SCBA program and safety gear pool program; as well as $85,728 of share of DC and 3 BCs (Chamberlin's FTE figures)

Note: Capital Replacement - Vehicle Equipment Replacement (1 engine at $742k amortized at 12 years)

Note: FP-5 FY 15/16 rate is $143.91. There is a 3% COLA allowed every year thereafter as needed

Note: "Other Revenue" figures are derived from FY15/16 29 Palms Fire District Proposed Budget Summary and $5k added for cost recovery

Note: One time startup costs not factored in (SCBAs, cardiac monitor, ballistic protection)

Note: First Responder Fee is factored at 80% of 2,100 calls (1,680 calls @ $275 per call with collection rate of 12%)

The materials presented have several nuances to the identification of both expenditures and revenues which are more fully described below. The basic information has been provided that shows the expenses and revenues to fund the boots on the ground operation for fire protection and emergency medical response. However, due to the need to address the retirement funding issue, extensively discussed in the narrative above, there will be no fund balance transition from 29 Palms Fire to County Fire to allow for funding the initial operations until the receipt of the proceeds of taxes. This period would extend roughly from July 1, 2016 through the mid-November time period or roughly five months, and will result in costs approaching $1,000,000. LAFCO staff expressed this concern to County Fire and the County Administrative Office, who responded that they have identified other sources of liquidity in the South Desert Service Zone that will allow for addressing the timing issue for the revenues to provide the service (copy of letter dated February 2, 2016 included in Attachment #2).

Expenditures:

Salary and benefit expenditures identified in the FIA shows the costs for fire protection and emergency medical response through a three person engine. This includes the transfer of the existing four firefighters from 29 Palms Fire Department augmented with additional staffing of five personnel. The terms of the Transition Plan identify a lump sum payment from the Water District to provide for transition of sick leave and vacation time for the four employees. County Fire will be impressed with a public trust fiduciary responsibility to protect these funds for the purpose they were intended through a condition of approval.

Twenty-Nine Palms Annexation 5 year Plan	2016 Proposed Staffing	2015/16 Average Cost Per Position	2016/17 Average Cost Per Position	2016/17 SBCFPD Proposed Staffing	2017/18 SBCFPD Proposed Staffing	2018/19 SBCFPD Proposed Staffing	2019/20 SBCFPD Proposed Staffing	2020/21 SBCFPD Proposed Staffing
Staffing								
Station 421 - ME - Capt/Eng/FFPM			5.00%		2.00%	2.00%	3.00%	3.00%
Captain	3	$ 204,177.00	$ 214,385.85	$ 643,157.55	$ 656,020.70	$ 669,141.12	$ 689,215.35	$ 709,891.81
Engineer	3	$ 177,614.00	$ 186,494.70	$ 559,484.10	$ 570,673.78	$ 582,087.26	$ 599,549.88	$ 617,536.37
FF/PM	3	$ 143,816.00	$ 151,006.80	$ 453,020.40	$ 462,080.81	$ 471,322.42	$ 485,462.10	$ 500,025.96
Total Count of Employees	9							
Total Salary and Benefits			**$ 551,887.35**	**$ 1,655,662.05**	**$ 1,688,775.29**	**$ 1,722,550.80**	**$ 1,774,227.32**	**$ 1,827,454.14**

The materials provided in the FIA related to Services and Supplies were submitted with limited identification of those expenses. LAFCO staff requested information on the breakdown of the items and has updated the FIA chart to reflect them. The staff's update is shown below:

Services and Supplies				2.00%		2.00%		2.00%		2.00%	
Services and Supplies Total		$ 165,000.00		$ 168,300.00		$ 171,666.00		$ 175,099.32		$ 178,601.31	
County overhead			$ 33,000.00		$ 33,660.00		$ 34,333.20		$ 35,019.86		$ 35,720.26
Equipment			$ 14,850.00		$ 15,081.00		$ 15,316.62		$ 15,556.95		$ 15,802.09
Vehicle Maintenance/Fuel			$ 107,250.00		$ 109,395.00		$ 111,582.90		$ 113,814.56		$ 116,090.85
Medical			$ 3,300.00		$ 3,366.00		$ 3,433.32		$ 3,501.99		$ 3,572.03
Insurance			$ 6,600.00		$ 6,600.00		$ 6,600.00		$ 6,600.00		$ 6,600.00
Transfers for Support Services/Admin Costs		$ 177,280.00		$ 180,825.60		$ 184,442.11		$ 188,130.95		$ 191,893.57	
Administration			$ 124,096.00		$ 126,577.92		$ 129,109.48		$ 131,691.67		$ 134,325.50
Public Information Officer			$ 7,091.20		$ 7,233.02		$ 7,377.68		$ 7,525.24		$ 7,675.74
Human Resources			$ 17,728.00		$ 18,082.56		$ 18,444.21		$ 18,813.10		$ 19,189.36
Warehouse/Support Services			$ 28,364.80		$ 28,932.10		$ 29,510.74		$ 30,100.95		$ 30,702.97
Confire/MIS Support		$ 142,500.00		$ 145,350.00		$ 148,257.00		$ 151,222.14		$ 154,246.58	
Confire			$ 88,350.00								
MIS			$ 54,150.00								
One Time start up costs including SBCA replacement gear		$ -									
Capital Replacement - Small Tools and Equipment		$ 5,000.00		$ 5,000.00		$ 5,000.00		$ 5,000.00		$ 5,000.00	
Capital Replacement - Vehicle Equipment Replacement		$ 61,833.00		$ 61,833.00		$ 61,833.00		$ 61,833.00		$ 61,833.00	
Fire Station Building Lease Sta. 421		$ 30,672.00		$ 31,284.00		$ 31,908.00		$ 32,544.00		$ 33,204.00	
lease supplement to transfer 50% of water district delinquency to City						$ 160,000.00		$ 80,000.00		$ 80,000.00	
Total Appropriations		$ 2,237,947.05		$ 2,281,367.91		$ 2,485,656.93		$ 2,468,056.75		$ 2,532,232.62	

This breakdown in the cost allocation categories identifies that providing the service through County Fire will result in an increase in expenses. However, it shows that $479,612 is being diverted to pay the lease expense for Station #421 to the City of Twentynine Palms and therefore is not available to provide for ongoing fire service for the seven year term of the lease. Once the lease payments have been completed, however, these funds will return to the community for provision of ongoing emergency medical response and fire protection.

Based upon the information provided to LAFCO staff for the expenditures identified in the FIA as revised, the costs for the ongoing operation and maintenance of level of service have been demonstrated.

Revenues:

The FIA, as amended, identifies the revenue streams to support the provision of service. Of note, the Water District receives no share of the general ad valorem (property) tax so there is no transfer to County Fire for delivery of this service. The only source of revenue is the proposed inclusion of the area within Service Zone FP-5. The spreadsheet which follows outlines the revenue stream for the first five years upon successful completion of the reorganization.

Revenues					
Special Tax	**16/17**	**3.00%**	**3.00%**	**3.00%**	**3.00%**
Special Tax FP-5 ($143.91 X 3% = $148.23/parcel @ 15,263 parcels) (factored @ 89% collection rate)	$ 2,013,566.70	$ 2,073,973.70	$ 2,136,192.91	$ 2,200,278.70	$ 2,266,287.06
LAFCO additional parcels ($148.23 x 334 parcels)	$ 44,062.85	$ 45,384.74	$ 46,746.28	$ 48,148.67	$ 49,593.13
Delinquent Prior Year Water District Special Tax Revenue (6%)	$ 110,000.00	$ 110,000.00	$ 110,000.00	$ 110,000.00	
Delinquent Prior Year County Fire Special Tax Revenue (6%)		$ 69,909.23	$ 120,010.84	$ 148,333.40	$ 152,783.40
Other Revenue					
Interest Earned	$ 500.00	$ 750.00	$ 1,000.00	$ 1,500.00	$ 2,000.00
Penalties (based on 29 Palms' prior year budget figure on their assessment @ $80/parcel)	$ 50,000.00	$ 50,000.00	$ 50,000.00	$ 50,000.00	
Penalties (based on future assessment @ $148/parcel)		$ 31,459.15	$ 54,004.88	$ 66,750.03	$ 68,752.53
First Responder Fee - 1,680 EMS based calls @ $275 each (12% collection rate)	$ 55,440.00	$ 55,440.00	$ 55,440.00	$ 55,440.00	$ 55,440.00
Other Revenue - Non-Operating	$ 7,700.00	$ 7,700.00	$ 7,700.00	$ 7,700.00	$ 7,700.00
Total Revenues	**$ 2,281,269.55**	**$ 2,444,616.81**	**$ 2,581,094.90**	**$ 2,688,150.79**	**$ 2,602,556.11**
Total Revenues less Appropriations	**$ 43,322.50**	**$ 163,248.90**	**$ 95,437.97**	**$ 220,094.03**	**$ 70,323.49**
Fund Balance					
Beginning Fund Balance		$ 43,322.50	$ 206,571.40	$ 302,009.37	$ 522,103.41
TOTAL APPROPRIATIONS	$ (2,237,947.05)	$ (2,281,367.91)	$ (2,485,656.93)	$ (2,468,056.75)	$ (2,532,232.62)
TOTAL REVENUES	$ 2,281,269.55	$ 2,444,616.81	$ 2,581,094.90	$ 2,688,150.79	$ 2,602,556.11
Ending Fund Balance	**$ 43,322.50**	**$ 206,571.40**	**$ 302,009.37**	**$ 522,103.41**	**$ 592,426.89**

As noted in the FIA and Plan for Service, should LAFCO Reorganization 3200 be approved, the current special tax paid by TPWD property owners (Ordinance No. 89 adopted October 5, 2004) to fund the Fire Department would be replaced with a special tax consistent with all property owners within the County Fire Service Zone FP-5. The current tax under Ordinance 89 imposes an $80 annual fee on single family homes, multi-family homes and mobile homes, and an annual fee of between $80 and $320 for commercial/industrial properties depending on the building square footage. The Ordinance 89 tax on unimproved parcels is $48 per year. Large parcels (exceeding five acres) are charged an extra $2 per acre.

The FP-5 special tax, which would replace the Ordinance 89 tax if LAFCO 3200 is approved, is currently set at $143.92 per parcel for Fiscal Year 2015-16. Annual increases cannot exceed 3% per year. If the maximum increase is approved for Fiscal year 2016-2017, the first year of County operations, the per parcel fee would be $148.23.

An additional item identified when reviewing the Water District's audits is that in Fiscal Year 2014-15, an Explorer's Fund was created to isolate donations to support the Fire Explorer program as well as expenses. Upon the successful completion of LAFCO 3200, the fund balance for this program will transfer to County Fire impressed with a public trust that the funds be used to support the same type program within County Fire.

Conditions of approval related to this portion of the consideration are outlined as follows:

- Upon the effective date of this reorganization, any funds currently deposited with the 29 Palms Fire Department for the benefit of its Explorer program shall be transferred to the successor district and said district shall maintain those funds impressed with a public trust, use or purposes separately in accordance with the provisions of Government Code Section 57462.

Based upon the information received by LAFCO staff, it is our position that the approval of LAFCO 3200, with the nuances for funding the unfunded PERS liabilities, will provide for the continuing delivery of fire protection and emergency medical response within the area commonly defined as the Twentynine Palms community at the same level currently received and in some respects at a higher level. As required by Commission policy and State law, the revised Plan for Service, Updated Employee and Property Transition Plan and the Financial Impact Analysis show that the delivery of service can be maintained and that such delivery is projected to be sustainable.

The final element that will need to be addressed is that during the transition period State law specifies that the dissolving, or in this case the divesting entity be limited in its authority for expenditures and encumbering obligations. Therefore, staff is recommending that the following condition be included to address this issue which will limit the Water District from the point in time that the Commission approves the reorganization (adoption of its resolution) through the effective date proposed to be July 1, 2016.

- As of the date of approval of the reorganization by LAFCO, through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the Board of Directors of the Twentynine Palms Water District on behalf of its Fire Department shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5, and it is supported by the San Bernardino County Fire Protection District:

    - **No Increase in Compensation or Benefits:** No increase in calculation for payment of benefits or compensation for employees of the 29 Palms Fire Department shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2015-16.

    - **Bound by Current Budget:** No appropriating, encumbering, expending, or otherwise obligating any revenue of the Twentynine Palms Water District Fire Department beyond that provided in the current budget at the time of Commission approval, unless agreed to by the Successor District, shall be allowed.

Staff would note that the condition includes the proviso to address an issue that may arise which requires expenditure of funds or the obligation for payment. This allows for a mechanism to address unknowns during the transition.

ENVIRONMENTAL

Will the proposed reorganization have an adverse environmental effect that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

The Commission is the lead agency for review of the potential environmental consequences of the reorganization evaluated in this report. LAFCO staff has provided the Commission's Environmental Consultant, Tom Dodson and Associates, with the application materials and responses provided by the City of Twentynine Palms and the San Bernardino County Fire Protection District. Mr. Dodson reviewed this proposal and has recommended that the reorganization is statutorily exempt from the California Environmental Quality Act (CEQA) (copy of letter included as Attachment #8).

This determination is based on the fact that the reorganization will transfer the delivery of fire protection, and emergency medical response from one entity to another which will not result in any physical impacts on the environment. Therefore, this action is exempt as defined under Section 15061(b)(3) of the State CEQA Guidelines. It is recommended that the Commission adopt the General Rule Statutory Exemption for this proposal by taking the actions outlined in the Recommendation Section of this report.

PUBLIC COMMENT

In addition to publication of a legal notice of this proposal (1/8th page advertisement in *The Sun and The Desert Trail*), staff also mailed individual notices to the 12,011 landowners in the affected reorganization territory as required by Government Code Section 56125. Over the last three weeks, staff has fielded less than 100 phone calls or emails from landowners requesting additional information on the proposal. Specific areas of concern generally included:

- Objection to the imposition of a special tax due to financial hardships of homeowners
  .
- Additional clarification needed as to why residents do not have the opportunity to vote on the imposition of a special tax.

- The desire that the City provide the necessary funding to allow for the Water District to maintain its Fire Department.

In addition, staff received two comment letters which are included in Attachment #7 to this report.

DETERMINATIONS:

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

1. The County Registrar of Voters Office has determined that the study area is legally inhabited with 4,668 registered voters as of October 15, 2015.

2. The study area is proposed to be within the sphere of influence assigned the San Bernardino County Fire Protection District through approval of the compansion proposal identified as LAFCO 3199.

3. The County Assessor's Office has determined that the total assessed valuation of land and improvements for the area is $901,124,079 as of November 10, 2015. This figure is broken down as $232,028,198 for land and $669,095,881 for improvements.

4. Legal notice of the Commission's consideration of the proposal has been provided through publication of a 1/8th page advertisement in *The Sun* and *Desert Trail,* newspapers of general circulation in the area. In addition, individual notices were provided to all affected and interested agencies, County departments and those individuals and agencies requesting special notice.

   In compliance with the requirements of Government Code Section 56125, individual notice was mailed to landowners within the reorganization area for Service Zone FP-5 as amended by LAFCO staff (totaling 12,011) due to the special tax being extended. Comments from landowners have been considered by the Commission in making its determination.

5. The proposed reorganization does not conflict with the established City's General Plan. The proposed reorganization has no direct impact on such land use designations.

6. The Southern California Association of Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5. Approval of LAFCO 3200 has no direct impact on these determinations. The Sustainable Community Strategy includes as a determination the need to assure the ongoing availability of health and safety services which approval of LAFCO 3200 will support.

7. The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated that based on his review of this reorganization, the proposal will not change the area in which the service is provided. Therefore, the proposal will have no physical affect upon the environment, and a General Rule Statutory Exemption as authorized under Section 15061(b)(3) of the State CEQA Guidelines is appropriate. A copy of Mr. Dodson's response is included for the Commission's review as Attachment #8 to this report.

8. The study area is presently served by the following public agencies:

   County of San Bernardino
   City of Twentynine Palms (portion of the area)
   Twentynine Palms Water District
   Twentynine Palms Cemetery District
   Mojave Desert Resource Conservation District
   Morongo Basin Healthcare District (formerly Hi-Desert Memorial Healthcare)
   County Service Area 70 and its Zones TV-04 and TV-05 (portion of the area)

   The Twentynine Palms Water District is affected through the divestiture and transfer of its fire protection and emergency medical response obligation to County Fire as a function of the reorganization. In addition, the change anticipates that the San Bernardino County Fire Protection District, its South Desert Service Zone and its Service Zone FP-5 will be expanded to include the territory of the Twentynine Palms Water District and the "peninsula area" as a function of the reorganization. None of the other agencies are affected by this reorganization proposal as they are regional in nature.

9. A Plan for the Extension of Service and a Fiscal Impact Analysis has been submitted by County Fire. Those documents indicates that the transfer of service to the South Desert Service Zone and SBCFPD can, at a minimum, maintain the level of service delivery currently received by the area. Upon reorganization, the primary successor district, the South Desert Service Zone of the SBCFPD, will extend the defined range of services to residents, landowners and government within the boundaries of the Twentynine Palms Water District. The Plan for Service, jointly submitted by the SBCFPD and the Twentynine Palms Water District, provides a general outline of the delivery of services mandated by Government Code Section 56653. The Plan for Service and Fiscal Impact Analysis have been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The Commission finds that such Plan and Fiscal Impact Analysis conforms to those adopted standards and requirements.

10. The reorganization area can benefit from the assumption of fire protection, and emergency medical response service through the South Desert Service Zone of

the San Bernardino County Fire Protection District as evidenced by the Plan for Service.

11. This proposal will not affect the fair share allocation of the regional housing needs assigned to the City of Twentynine Palms through the Southern California Association of Government's (SCAG) Regional Housing Needs Allocation (RHNA) process.

12. With respect to environmental justice, the reorganization provides for the continuation of existing fire protection, and emergency medical response services within the area and will not result in the unfair treatment of any person based upon race, culture or income.

13. The County Board of Supervisors has successfully completed the process for the determination of a transfer of ad valorem property tax revenues upon successful completion of this reorganization to the successor agencies, SBCFPD and its South Desert Service Zone noting there will be no exchange of property tax, general levy or tax increment. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.

14. The maps and legal descriptions prepared by the County Surveyor are in substantial compliance with LAFCO and State standards.

CONCLUSION:

In May of 2012 the Commission conducted its service review for the Twentynine Palms community which included a detailed discussion of the Twentynine Palms Water District fire operations. It was necessary to again sound the alarm bells that the service was unsustainable with its primary source of funding a flat tax which did not address annual inflation. During this review, the District identified its need to replace Station #421 or extensively remodel it, the need to replace its engine at Station #421 and other miscellaneous needs, none of which received the funding necessary for implementation. This time the alarm bells had been sounded by the District itself in an attempt to receive citizen support for a change in its funding mechanism. These attempts were unsuccessful.

Adequate emergency medical response and fire protection are key health and safety issues for any community. Placement of emergency medical response as the first order of business for this function is intended by staff, as more than three quarters of the business of the Twentynine Palms Fire Department is to provide emergency medical response. The lack of sustainability issues has been addressed in the proposal jointly presented by County Fire and Twentynine Palms Fire with the key financial support of the City of Twentynine Palms, truly a joint response to maintain this service for the larger Twentynine Palms community. The City's support for the proposal to include its

corporate boundaries within County Fire provides for its statutory obligation to provide fire protection service to its residents.

The proposal does require the landowners within the community to provide the financial support necessary to continue the service but the alternative is to retain an insolvent service through the Water District which cannot use its other funds to assist the fire operation due to legislative restrictions. It also requires that the City of Twentynine Palms to assume a generally unknown future liability for payment of the Water District's retirement liability for its Fire Department, an unheard of precedent for the Commission.

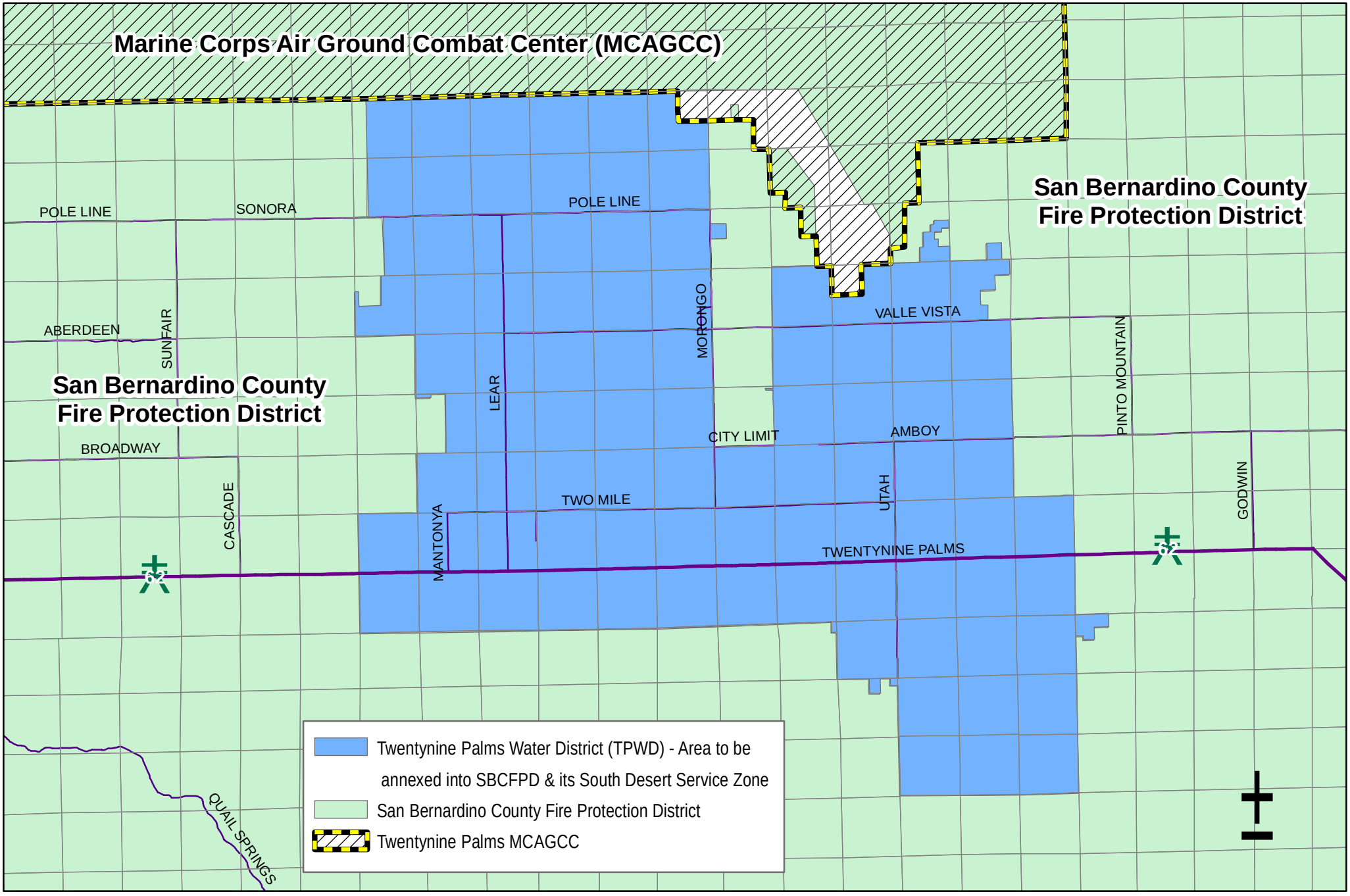
Staff supports the approval of this proposal to transfer fire authority from the Twentynine Palms Water District to the San Bernardino County Fire Protection District and its South Desert Service Zone and to include the community of Twentynine Palms in Service Zone FP-5 to provide the financial support for continuing the service. The more concerning aspects of this proposal, including the other unique financing structures outlined in this report to achieve the goal of a sustainable emergency medical response and fire protection authority, created pause for LAFCO staff but ultimately were shown to be necessary to allow the proposal to move forward. Therefore, staff recommends approval of LAFCO 3200 as modified and presented in this report,

Attachments:

1. Vicinity Map, Map of Proposed Reorganization and Supplemental Maps
2. Twentynine Palms Water District/County Fire Application for Reorganization Including Plan for Service, Fiscal Impact Analysis (Five-Year Projection), Employee/Property Transition Plan, Letter Dated February 2, 2016 from Gary McBride, County Chief Financial Officer, Twenty-Nine Palms Band of Mission Indians Consent Resolution and Supplemental Data
3. Twentynine Palms Water District Supplemental Data: Letter on Worker's Compensation; Fire Chief Contract Termination Letter, Amendment #1 to the Memorandum of Understanding with Twentynine Palms Professional Firefighters, IAFF Local 4266, and Excerpts of Audits for the Water District Fire Fund for Fiscal year 2013-14 and 2014-15
4. Excerpt from 2012 Service Review for the Twentynine Palms community related to the Twentynine Palms Water District
5. Draft Assignment and Assumption Agreement for CalPERS Retirement Obligation; Letter Dated January 6, 2016 from City of Twentynine Palms Outlining Agreement on Unfunded Retirement Liability for Twentynine Palms Water District, Staff Report for Joint Meeting of City Council and Board of Directors dated December 7, 2015
6. Letter from Twentynine Palms Water District dated December 28, 2015 outlining position on Unfunded Retirement Liability
7. Copies of Letters Received from the Public Related to LAFCO 3200
8. Letter from Commission Environmental Consultant Tom Dodson of Tom Dodson and Associates Dated February 8, 2016
9. Draft LAFCO Resolution No. 3216

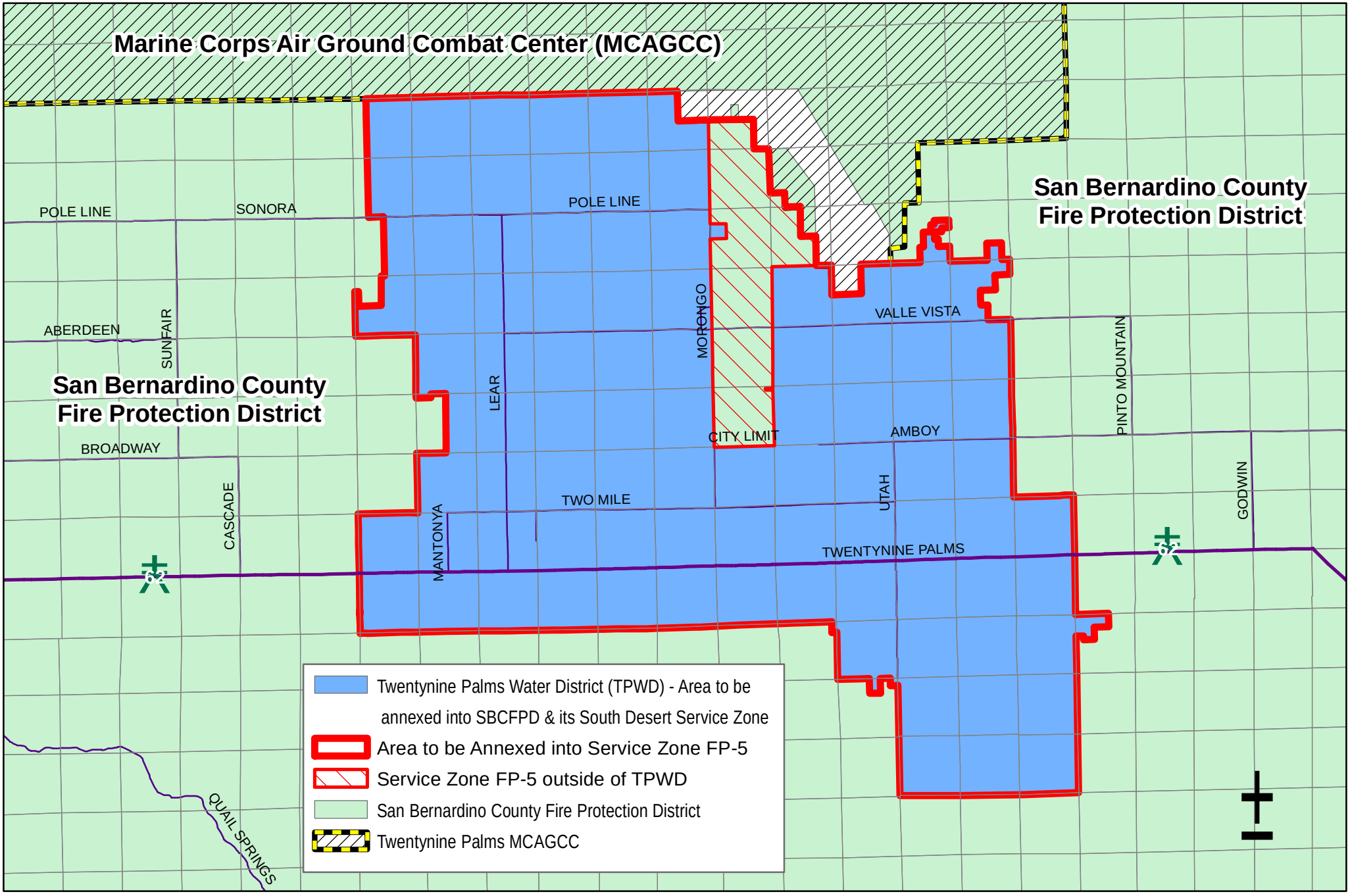
Vicinity Map, Map of Proposed Reorganization and Supplemental Maps

Attachment 1



LAFCO 3200 - Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, and its Service Zone FP-5 & the divestiture of the fire function from Twentynine Palms Water District

Annexation to the San Bernardino County Fire Protection District and its South Desert Service Zone



LAFCO 3200 - Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, and its Service Zone FP-5 & the divestiture of the fire function from Twentynine Palms Water District

Annexation to the San Bernardino County Fire Protection District Service Zone FP-5

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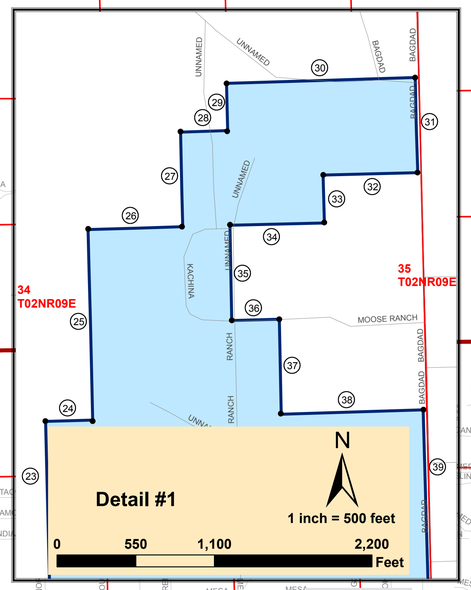
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See Sheet 2 of 3 for APN Data

See Sheet 3 of 3 for APN Data

See Detail #1 @ Right



Course	Direction	Distance
1	East	18480
2	South	2640
3	East	2640
4	South	9240
5	East	1320
6	South	660
7	West	1320
8	South	3300
9	South	15840
10	East	3960
11	East	1320
12	North	4950
13	West	660
14	North	165
15	East	660
16	North	5445
17	North	2640
18	East	5280
19	South	2640
20	East	2640
21	North	2640
22	East	5280
23	North	1320
24	East	330
25	North	1320
26	East	660
27	North	660
28	East	330
29	North	1320
30	East	1320
31	South	660
32	West	660
33	South	330
34	West	660
35	South	660
36	East	330
37	South	660
38	East	990
39	South	1320
40	East	3300
41	North	495
42	North	990
43	East	1320
44	South	990
45	South	495
46	East	660
47	South	1320
48	West	1320
49	South	660
50	South	660
51	West	1320
52	South	1320
53	East	660
54	South	1320
55	East	1980
56	South	5280
57	South	1320
58	South	6600
59	South	2640
60	East	5280
61	South	10560
62	N89° 44'E	2658.5
63	South	1332.4
64	West	1011.3
65	South	990
66	West	990
67	North	330
68	West	660
69	South	13980
70	East	10560
71	West	5280
72	North	9900
73	West	660
74	North	990
75	West	990
76	South	1320
77	West	990
78	North	1320
79	West	2640
80	North	4125.4
81	S89° 43' 56"W	5074
82	N0° 01' 20"E	1147
83	West	3985.94
84	West	21120
85	West	10560
86	North	10560
87	East	5280
88	North	5280
89	East	2640
90	North	5280
91	West	1320
92	South	330
93	West	1320
94	North	5610
95	West	5280
96	North	3960
97	East	330
98	South	1320
99	East	1980
100	North	2640
101	East	330
102	North	5280
103	West	1320
104	North	5940
105	North	4620
106	East	9600

LAFCO 3199
Sphere of Influence Amendment (Expansion) for the San Bernardino County Fire Protection District

LAFCO 3200
Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, its Service Zone FP-5, and the Divestiture of the fire function from Twentynine Palms Water District

AREA 1
Sphere of Influence Expansion for the San Bernardino County Fire Protection District

Annexation to San Bernardino County Fire Protection District (SBCFPD) and its South Desert Service Zone

Those Portions of: Township 1 South, Ranges 9 and 10 East; Township 1 North, Ranges 8 and 9 East; Township 2 North, Ranges 8 and 9 East S.B.M, San Bernardino County, State of California.

Sphere/Annexation Area Containing 56,919.14 Acres, More or Less
Section Lines
APN Assessors Parcel Number
Parcels
Point of Beginning
Course Endpoint
(#) Course Number

0 3,000 6,000 12,000 18,000 24,000 Feet

N

1 inch = 3,000 feet



THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION

PROFESSIONAL LAND SURVEYOR
JAMES IRA STONE
PLS No. 9075
Exp. 03-31-16
STATE OF CALIFORNIA

02/02/2016

James I. Stone **Date**
Deputy County Surveyor
PLS 9075 **Exp. 3/31/2016**

Job Number 00220LF0 - Revised February 2, 2016

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156	026228171	435	026201139	789	026228174	1054	026513140
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338	015464301	681	015333402	971	026201141		



LAFCO 3199
Sphere of Influence Amendment (Expansion) for the San Bernardino County Fire Protection District
LAFCO 3200
Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, its Service Zone FP-5 and the Divestiture of the fire function from Twentynine Palms Water District

AREA 1
Sphere of Influence Expansion for the San Bernardino County Fire Protection District

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Sphere/Annexation Area Containing 56,919.14 Acres, More or Less
Section Lines
APN Assessors Parcel Number
Parcels
Point of Beginning
Course Endpoint
(#) Course Number

0 1,700 3,400 6,800 10,200 13,600 Feet

N

1 inch = 1,700 feet

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION

PROFESSIONAL LAND SURVEYOR JAMES IRA STONE PLS No. 9075 Exp. 03-31-16 STATE OF CALIFORNIA

02/02/2016

James I. Stone Date
Deputy County Surveyor
PLS 9075 **Exp. 3/31/2016**

Job Number 00220LF0 - Revised February 2, 2016

SHEET 2 OF 3

T01NR07E

T01NR08E

T01NR09E

T01NR10E

T01SR07E

T01SR08E

T01SR09E

T01SR10E

APN Identifier	APN	APN Identifier	APN	APN Identifier	APN
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25	062429152	184	059106101	376	061315116
26	062429121	185	059010112	379	061301113
27	062429147	186	059108108	381	061304112
30	061418112	190	062428122	384	061315104
31	061618105	192	061601104	393	059105109
32	061421113	193	061310111	394	059101101
33	061618103	194	061310110	395	059107104
37	061621101	196	060908117	397	060902108
39	061420115	198	061401112	398	061305115
40	061420117	202	061309115	404	061316103
41	061601105	204	061301115	405	061315102
42	061601103	205	061301111	406	061315101
43	061601101	207	061305117	408	061310126
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47	059013130	224	059009122	418	059012103
48	061505108	225	059109103	419	059010116
49	061622102	231	062429119	420	059009113
50	061505113	232	062429113	421	059011138
51	060908108	234	061421115	422	059012101
52	060908104	235	061421116	423	059107103
53	061305114	238	059129107	428	061418110
54	061304110	239	060908105	429	061418108
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56	061419116	249	061301114	433	061421114
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75	061304115	274	059013101	445	061304111
76	061304116	276	061420118	455	059006109
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82	061315108	298	059106111	465	061419112
83	061304114	301	061621134	466	061420116
85	061309101	306	062429120	467	061621145
88	061316107	308	062429111	468	060908106
89	061316106	310	062424113	471	061419115
105	062428111	311	062330118	473	061601106
107	062424114	314	060902101	476	061301116
121	059007103	315	060908102	478	061315107
122	059111101	316	061314117	481	060902109
123	059110108	317	060908101	488	059105107
128	061418109	318	061301101	489	059011141
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131	059134103	324	061301112	493	060907101
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134	061309123	335	059006106	498	061318101
135	061305113	336	059202119	499	061310127
136	061305112	337	059130104	500	061315105
137	061401113	338	059010119		
144	061304113	341	062331110		



LAFCO 3199
Sphere of Influence Amendment (Expansion) for the San Bernardino County Fire Protection District
LAFCO 3200
Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, its Service Zone FP-5 and the Divestiture of the fire function from Twentynine Palms Water District

AREA 1
Sphere of Influence Expansion for the San Bernardino County Fire Protection District

Annexation to San Bernardino County Fire Protection District (SBCFPD) and its South Desert Service Zone

Those Portions of: Township 1 South, Ranges 9 and 10 East; Township 1 North, Ranges 8 and 9 East; Township 2 North, Ranges 8 and 9 East S.B.M, San Bernardino County, State of California.

Sphere/Annexation Area Containing 56,919.14 Acres, More or Less
Section Lines
APN Assessors Parcel Number
Parcels
Point of Beginning
Course Endpoint
(#) Course Number

0 2,000 4,000 8,000 12,000 16,000 Feet

N

1 inch = 2,000 feet

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION

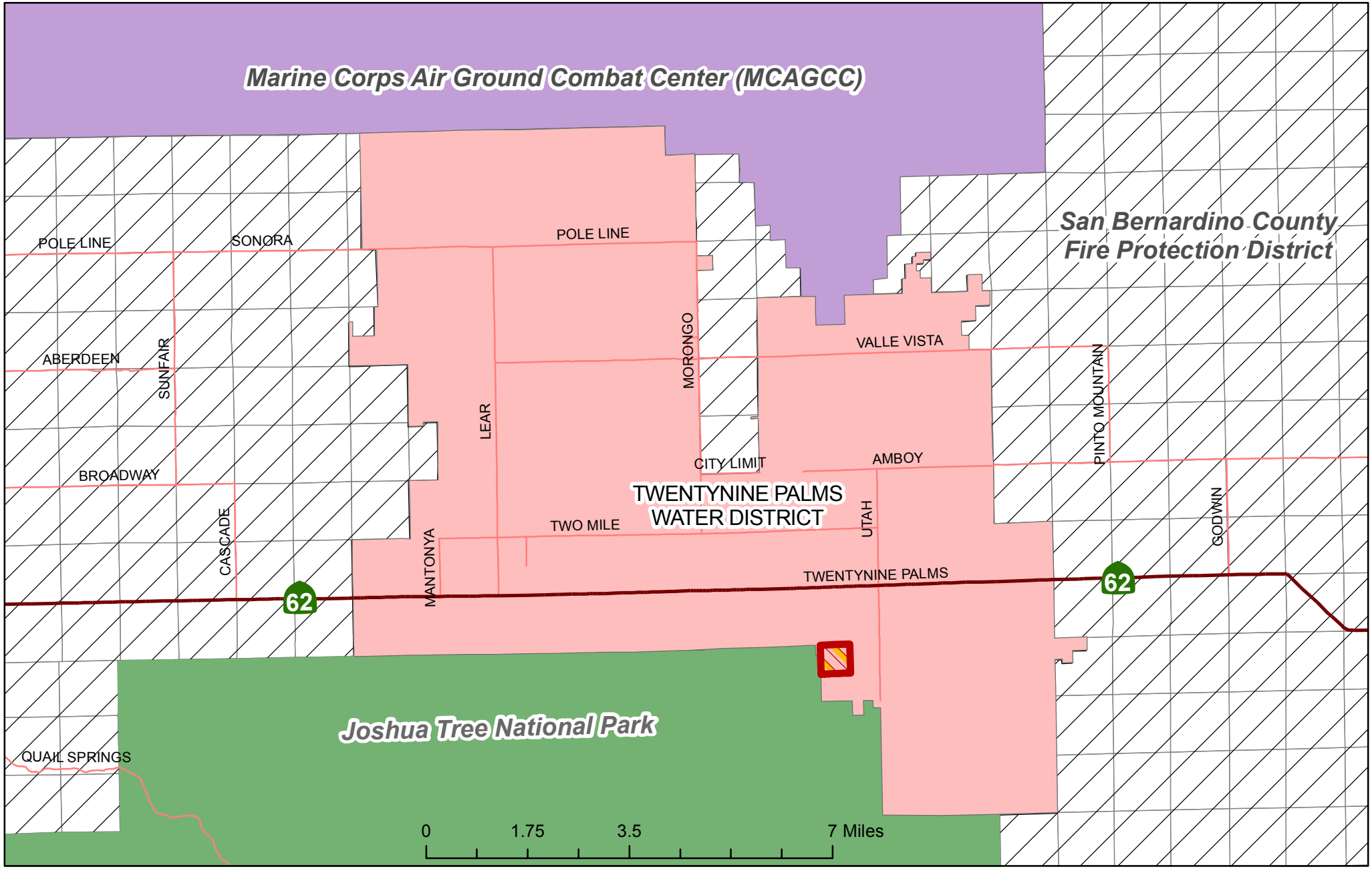
PROFESSIONAL LAND SURVEYOR JAMES IRA STONE PLS No. 9075 Exp. 03-31-16 STATE OF CALIFORNIA

02/02/2016

James I. Stone Date
Deputy County Surveyor
PLS 9075 **Exp. 3/31/2016**

Job Number 00220LF0 - Revised February 2, 2016

SHEET 3 OF 3



LAFCO

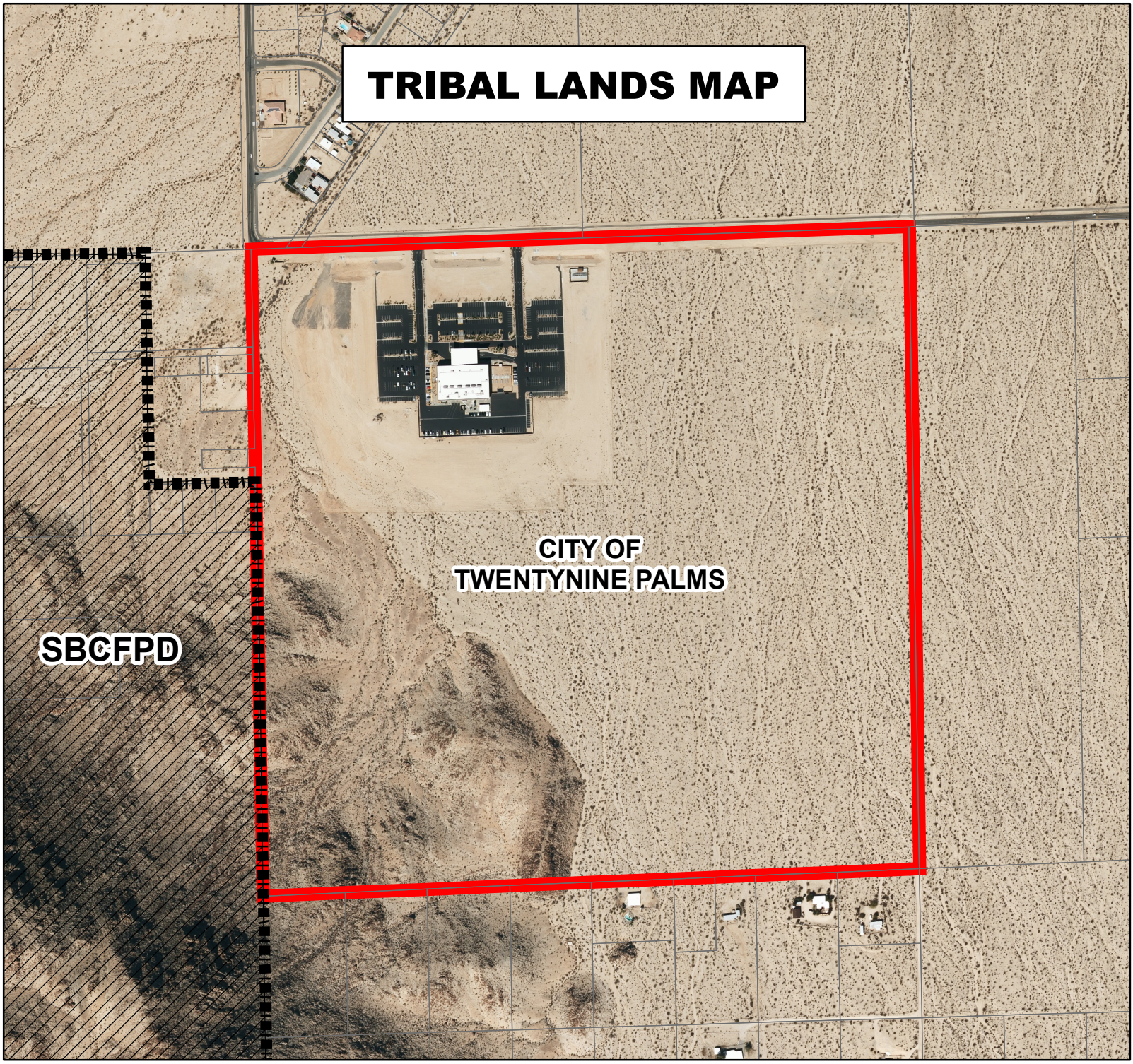
N

LAFCO 3199 –Sphere of Influence Amendment (Expansion) for the San Bernardino County Fire Protection District

LAFCO 3200 –Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone
, and the divestiture of the fire function from Twentynine Palms Water District

- Twenty-Nine Palms Band of Mission Indians
- Sphere Expansion & Reorganization Area
- San Bernardino County Fire Protection District
- Joshua Tree National Park
- Marine Corps Air Ground Combat Center

TRIBAL LANDS MAP



N

LAFCO 3197–Sphere of Influence Amendments (Expansion) for the San Bernardino County Fire Protection District

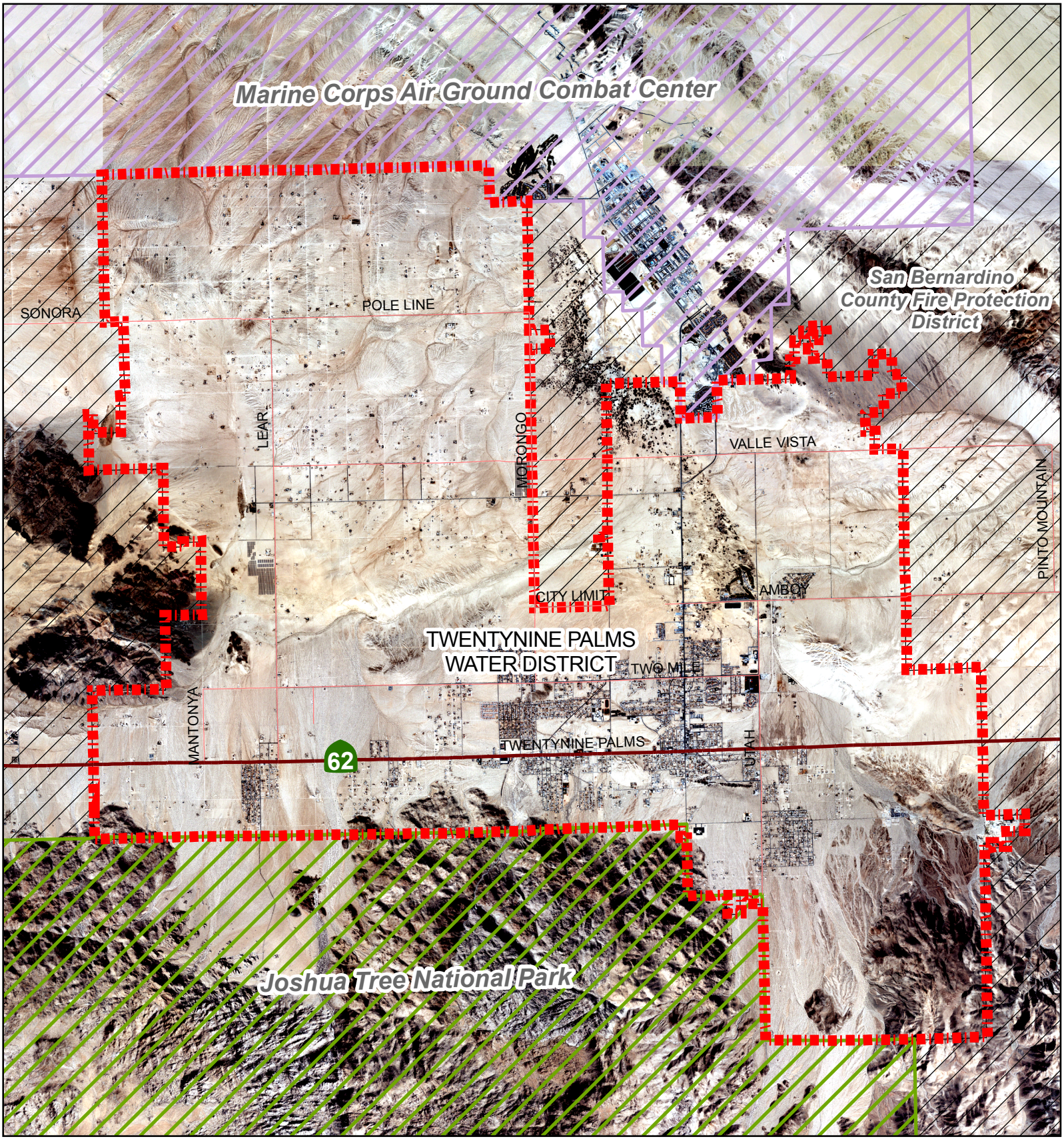
LAFCO 3198–Reorganization to include Annexations to the San Bernardino County Fire Protection District, its Valley Service Zone and Service Zone FP-5

LAFCO
for San Bernardino County

Tribal Boundary - Twenty-Nine Palms Band of Mission Indians

Twentynine Palms Water District

San Bernardino County Fire Protection District (SBCFPD)



Legend

- Twentynine Palms Water District
- San Bernardino County Fire Protection District
- Marine Corps Air Ground Combat Center
- Joshua Tree National Park

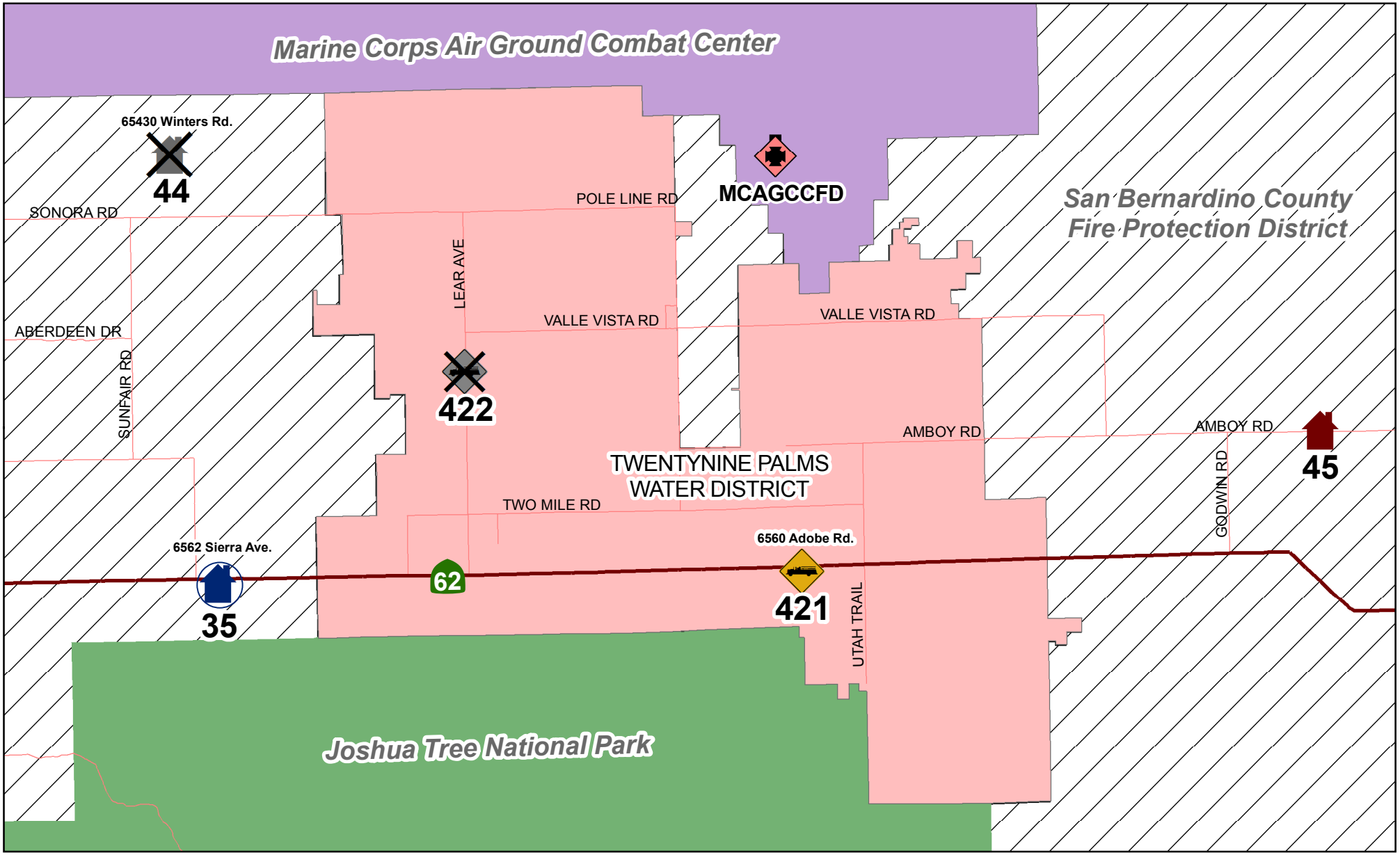
1:110,000

N

LAFCO for San Bernardino County

0 1.75 3.5 7 Kilometers

Projection: NAD 1983 StatePlane California



Fire Station Locations

Legend

- Twentynine Palms Water District Fire Stations
- Inactive Twentynine Palms District Fire Stations
- Inactive S.B. County FPD Stations
- S.B. County FPD Stations (County Fire)
- S.B. County FPD Paid Call Stations
- Marine Corps Air Ground Combat Center Fire Department (MCAGCCFD)
- Twentynine Palms Water District
- San Bernardino County Fire Protection District
- Marine Corps Air Ground Combat Center
- Joshua Tree National Park

1:140,000

N

LAFCO for San Bernardino County

0 1.5 3 6 Kilometers

Projection: NAD 1983 StatePlane California

Twentynine Palms Water District/County Fire Application for Reorganization Including Plan for Service, Fiscal Impact Analysis (Five-Year Projection), Employee/Property Transition Plan, Letter Dated February 2, 2016 From Gary McBride, County Chief Financial Officer, Twenty-Nine Palms Band of Mission Indians Consent Resolution and Supplemental Data

Attachment 2

RESOLUTION NO. 15-14

A RESOLUTION OF APPLICATION BY THE BOARD OF DIRECTORS OF THE TWENTYNINE PALMS WATER DISTRICT, AS THE GOVERNING BODY OF THE TWENTYNINE PALMS FIRE DEPARTMENT, REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO TAKE PROCEEDINGS FOR A SPHERE OF INFLUENCE AMENDMENT AND REORGANIZATION OF THE TWENTYNINE PALMS FIRE DEPARTMENT AND SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT AS MORE SPECIFICALLY DESCRIBED BELOW

WHEREAS, the Board of Directors for the Twentynine Palms Fire Department ("Department") desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for:

1. A sphere of influence amendment for the San Bernardino County Fire Protection District ("SBCFPD"); and

2. A reorganization proposal to include, but not limited to, annexation to the SBCFPD and its South Desert Service Zone and Service Zone FP-5, and divestiture of the fire functions of the Twentynine Palms Water District designating SBCFPD South Desert Service Zone and Service Zone FP-5, as appropriate, as the successor agency, as more specifically described in the District's application attached hereto; and

WHEREAS, the territory proposed for the reorganization is legally inhabited and a description of the boundaries for all actions is set forth in the District's application attached hereto, and by this reference incorporated herein; and

WHEREAS, the proposed reorganization does not conflict with any existing sphere of influence as the proposed change includes an amendment to the SBCFPD's sphere of influence to accommodate the proposed reorganization; and

WHEREAS, it is desired that the proposed reorganization be subject to the following terms and conditions:

1. As a function of the reorganization, to include Divestiture of the fire function of the Twentynine Palms Water District (hereafter identified as the "Department"), a condition of approval shall be included designating SBCFPD South Desert Service Zone as the successor agency for all assets attributable to the dissolving entity, including delinquent taxes, and any and all other collections or assets of the Department to be dissolved, shall accrue and be transferred to the Successor District, South Desert Service Zone of SBCFPD, pursuant to the provisions of Government Code Section 56810. The Successor District shall succeed to all rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the dissolving Department, except as otherwise outlined in the Conditions of Approval by the Local Agency Formation Commission ("LAFCO").

2. As a function of the reorganization, to include Divestiture of the Fire Function of the District, a Condition of Approval shall be included addressing the repayment of the unfunded retirement liability of the Department to the California Public Employees' Retirement System ("CalPERS") from revenues solely within the boundaries of the Department through creation of a separate Service Zone.

3. As a function of the reorganization, subject to the applicable Condition of Approval to be adopted by LAFCO, it is anticipated that the Special Parcel Tax of the Department will be extinguished and replaced by annexation to an existing SBCFPD Special Tax Service Zone, referred to as FP-5, which is currently set in amount of $143.92 and is subject to an annual 3% cost of living adjustment

4. The territory identified as the dissolving Department designating the successor agency SBCFPD South Desert Service Zone shall function under Division 2.5 of the Health and Safety Code for the provision of emergency medical services. The reorganization shall not reduce the geographic size, scope or boundaries of any existing EOA's as currently operated.

5. The appropriation limit of the SBCFPD South Desert Service Zone and Service Zone FP-5 shall be increased by the appropriation limit of the dissolving department.

6. All previously authorized charges, fees, assessments, and/or taxes currently in effect, now levied or collected by the dissolving Department, including improvement or assessment districts thereof, shall continue to be levied and collected by the successor agency.

7. Indebtedness of the Department shall remain the legal obligation of only the lands and areas that incurred such indebtedness.

8. The standard terms and conditions imposed by LAFCO upon all proposals or such additional conditions as may be deemed appropriate or necessary by LAFCO in its consideration.

WHEREAS, the reason for the sphere of influence amendment and proposed reorganization is to maintain the existing levels of services while providing for a sustainable revenue source to provide for said service and other related services within the territory of the former Department.

NOW, THEREFORE, BE IT RESOLVED that this Resolution of Application is hereby approved and adopted by the Board of Directors of the Twentynine Palms Water District, as the governing body of the Twentynine Palms Fire Department; and the Local Agency Formation Commission for San Bernardino County is hereby requested to take proceedings for the sphere of influence review and proposed reorganization as

described in the Department's application, in the manner provided by the Cortese-Know-Hertzberg Local Government Reorganization Act of 2000.

1. This Resolution of Application includes, but it not necessarily limited to, the following documents attached hereto and incorporated herein by reference: Plan For Service; Transition Plan; and Financing Plan showing at least five (5) years of projected revenues and expenditures.

2. The Secretary of the Board of Directors of the Twentynine Palms Water District, as the governing body of the Twentynine Palms Fire Department, is hereby authorized and directed to take such other actions and execute such other documents on behalf of the Department as may be necessary to accomplish the subject sphere of influence amendment reorganization.

3. The Department acknowledges and agrees to the Local Agency Formation Commission for San Bernardino County's requirement for imposing legal indemnification as outlined in Policies 10 and 11 of its Accounting and Financial Division of its Policy and Procedure Manual adopted June 2012.

4. This Resolution shall become effective upon its adoption.

PASSED AND ADOPTED by the Board of Directors of the Twentynine Palms Water District, as the governing body of the Twentynine Palms Fire Department this 26th day of August, 2015 by the following vote:

Ayes:	Directors Chambers, Horn, and Shinaver
Noes:	Director Giannini
Abstain:	None
Absent:	Director Moore

Chancey Chambers, Vice President
Twentynine Palms Water District

ATTEST:

Ray Kolisz, Board Secretary
Twentynine Palms Water District

REPORT/RECOMMENDATION TO THE BOARD OF DIRECTORS OF THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT AND RECORD OF ACTION

September 15, 2015

FROM: **MARK A. HARTWIG, Fire Chief/Fire Warden**
San Bernardino County Fire Protection District

SUBJECT: **RESOLUTION FOR REORGANIZATION OF THE FIRE DEPARTMENT OF THE TWENTYNINE PALMS WATER DISTRICT WITH SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT**

RECOMMENDATION(S)

Acting as the governing body of the San Bernardino County Fire Protection District (SBCFPD), adopt **Resolution No. 2015-182** requesting the Local Agency Formation Commission to commence proceedings for reorganization of the Fire Department of the Twentynine Palms Water District for annexation to SBCFPD.
(Presenter: James Johnstone, Deputy Chief, 387-5779)

BOARD OF SUPERVISORS COUNTY GOALS AND OBJECTIVES

Pursue County Goals and Objectives by Working with Other Agencies.
Provide for the Safety, Health and Social Service Needs of County Residents.

FINANCIAL IMPACT

Approval of this request for the Local Agency Formation Commission (LAFCO) to conduct the necessary proceedings for reorganization of the Fire Department of the Twentynine Palms Water District (TPWD) into SBCFPD will not result in the use of additional Discretionary General Funding (Net County Cost).

As a part of the LAFCO proceedings, an agreement will be developed to transfer a percentage of the TPWD ad valorem property tax to SBCFPD for fire protection services as required by the Revenue and Taxation Code. In addition, the territory of the annexation is proposed to be included in Service Zone FP-5 of SBCFPD subject to its existing parcel tax to ensure financial support for the agreed upon service level for the area.

BACKGROUND INFORMATION

On August 26, 2015, the Board of Directors of TPWD adopted a resolution requesting LAFCO to take proceedings for a sphere of influence amendment and reorganization of the Fire Department of TPWD. The reorganization proposal includes, but is not limited to, the divestiture of the fire protection functions of TPWD, as well as annexation of the subject territory into SBCFPD, its South Desert Regional Service Zone and Service Zone FP-5. On August 19, 2015, the City Council of the City of Twentynine Palms adopted a resolution in support of TPWD's action.

RECEIVED
SEP 22 2015
LAFCO
San Bernardino County

cc: w/resolution
SBCFPD-Hartwig
SBCFPD-Johnstone
LAFCO-Rollins-McDonald
CAO-Forster
File - SDD/SBCFPD w/attach
jr 9/16/15

ITEM 79

Record of Action of the Board of Directors

APPROVED (CONSENT CALENDAR)
COUNTY OF SAN BERNARDINO
San Bernardino County Fire Protection District

MOTION	MOVE	AYE	AYE	SECOND	AYE
	1	2	3	4	5

LAURA H. WELCH, SECRETARY

BY _____

DATED: September 15, 2015

Rev 7-14-15

SBCFPD is required to adopt a substantially similar resolution requesting LAFCO to commence proceedings for this reorganization; the recommended resolution will serve as the formal request for LAFCO to engage in the necessary proceedings.

The proposed reorganization will permit the subject agencies to streamline fire protection services to the subject territory, primarily within the City of Twentynine Palms. The reorganization of SBCFPD and annexation of TPWD into SBCFPD would result in the complete assumption of fire protection services by SBCFPD for the TPWD. Following completion of the reorganization and annexation proceedings, and execution of the property tax reallocation agreement, the TPWD will have no further funding obligations for fire suppression or emergency services within the territory.

PROCUREMENT
N/A

REVIEW BY OTHERS
This item has been reviewed by County Counsel (Carol Greene, Deputy County Counsel, 387-5455) on August 24, 2015; LAFCO (Kathleen Rollings-McDonald, Executive Officer, 383-9900) on August 24, 2015; Finance (Tom Forster, Administrative Analyst, 387-4635), on August 27, 2015; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on August 31, 2015.

RESOLUTION NO. 2015-182

RESOLUTION OF APPLICATION BY THE BOARD OF DIRECTORS OF SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO TAKE PROCEEDINGS FOR A SPHERE OF INFLUENCE AMENDMENT AND FOR REORGANIZATION OF THE FIRE DEPARTMENT OF THE TWENTYNINE PALMS WATER DISTRICT WITH THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT

On Tuesday September 15, 2015, on motion of Director Lovingood, duly seconded by Director Hagman and carried, the following resolution is adopted by the Board of Directors of San Bernardino County Fire Protection District.

WHEREAS, The Board of Directors of the Twentynine Palms Water District has adopted Resolution No. 15-14, on August 26, 2015 requesting the Local Agency Formation Commission (LAFCO) to take proceedings for:

1. A sphere of influence amendment for the San Bernardino County Fire Protection District; and,

2. A reorganization proposal to include, but not be limited to, the divestiture of the fire protection functions of the Twentynine Palms Water District, the annexation of the territory in which the Twentynine Palms Water District currently provides fire protection services to the San Bernardino County Fire Protection District, its South Desert Service Zone and its Service Zone FP-5; and,

WHEREAS, the proposed reorganization will not conflict with any existing sphere of influence as the proposed change includes an amendment to the Fire Department of the Twentynine Palms Water District and the San Bernardino County Fire Protection District spheres of influence to accommodate the proposed reorganization; and,

WHEREAS, it is desired that the proposed reorganization be subject to the standard terms and conditions imposed by the Local Agency Formation Commission upon all proposals or such additional conditions as may be deemed appropriate or necessary by the Local Agency Formation Commission in its consideration; and,

WHEREAS, the reasons for this sphere of influence amendment and proposed reorganization are to permit the subject agencies to streamline fire protection services to the subject territory so as to provide orderly growth and development within the subject territory; and to permit all agencies authorized to provide the scope of municipal services to extend their boundaries to cover the subject territory in one action; and,

WHEREAS, All legal prerequisites to the adoption of this Resolution have occurred; and,

WHEREAS, The San Bernardino County Fire Protection District recognizes the City of Twentynine Palms City Council Resolution No. 15-14;

NOW THEREFORE, BE IT RESOLVED BY THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT BOARD OF DIRECTORS AS FOLLOWS:

Section 1. This resolution is hereby adopted and approved by the Board of Directors of the San Bernardino County Fire Protection District. The Local Agency Formation Commission of San Bernardino County is hereby requested to take proceedings for the sphere of influence amendment and reorganization of territory as described above, according to the terms and conditions stated

above, and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Section 2. The San Bernardino County Fire Protection District acknowledges and agrees to the Local Agency Formation Commission for San Bernardino County's requirement for imposing legal indemnification as outlined in Section II Financial Accounting, Chapter 2 Financial Policies for Application Processing, Policy 3 -- Indemnfication of its Policy and Procedure Manual adopted August 19, 2015.

PASSED AND ADOPTED by the Board of Directors of the County of San Bernardino, State of California, by the following vote:

AYES:	DIRECTORS:	Lovingood, Rutherford, Ramos, Hagman, Gonzales
NOES:	DIRECTORS:	None
ABSENT:	DIRECTORS:	None

* * * * *

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

I, **LAURA H. WELCH**, Secretary of the Board of Directors of the San Bernardino County Fire Protection District, hereby certify the foregoing to be a full, true and correct copy of the record of the action taken by the Board of Directors, by vote of the members present, as the same appears in the Official Minutes of said Board at its meeting of September 15, 2015. #79 jr

LAURA H. WELCH
Secretary

By _____ Deputy

SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT

3200
(FOR LAFCO USE ONLY)

RECEIVED
SEP 23 2015
LAFCO
San Bernardino County

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 application to allow the San Bernardino LAFCO, its staff and others to adequately assess the proposal. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your proposal. 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: Twentynine Palms Water District (hereafter known as TPWD), as the governing body of Twentynine Palms Fire Department, requesting the Local Agency Formation Commission to take proceedings for a sphere of influence amendment and reorganization of the Twentynine Palms Fire Department and San Bernardino County Fire Protection District (hereafter known as SBCFPD) as more specifically described below:

2. NAME OF APPLICANT: Twentynine Palms Water District

   APPLICANT TYPE: ☐ Landowner ☒ Local Agency ☐ Registered Voter ☐ Other_____

   MAILING ADDRESS: 72401 Hatch Road
   Twentynine Palms CA, 92277

   PHONE: (760) 367-7546

   FAX: (760) 367-6612

   E-MAIL ADDRESS: jthompson@29palmsfire.org

3. GENERAL LOCATION OF PROPOSAL: The TPWD boundaries as currently defined and in force. The TPWD is located in the south desert region of the County and is generally bordered by the Joshua Tree National Park on the south, the Joshua Basin Water District on the west, the Twentynine Palms Marine Corps Base on the north, and the Wonder Valley community, defined by County Service Area 70 Zone M, on the east. The City of Twentynine Palms, except that portion of the city located on the Twentynine Palms Marine Corps Base, is located within the boundaries of the TPWD.

4. Does the application possess 100% written consent of each landowner in the subject territory? YES ☐ NO ☒ If YES, provide written authorization for change.

5. Indicate the reason(s) that the proposed action has been requested. The purpose of the proposal is to maintain, or improve, the existing level of fire protection and emergency medical services while providing for a sustainable revenue source to provide for said service and other related services within the territory of the TPWD.

LAND USE AND DEVELOPMENT POTENTIAL

1. Total land area of subject territory (defined in acres): 56,919

2. Current dwelling units within area classified by type (single-family residential, multi-family [duplex, four-plex, 10-unit], apartments)
Single Family Residential: 6,586
Multi-Family (2-4 Units): 2181
Multi-Family (5 units plus): 588
Mobile Homes: 307
Source: California DOF, E-5, 2014

3. Approximate current population within area: 17,974 (based on the 2010 Census)

4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s): The City of Twentynine Palms - Open Space Residential, Rural Living, Single-Family Residential, Multi-Family Residential, Commercial, Industrial, Floodway, Tribal Land, and Public.

San Bernardino County General Plan designation(s) and uses permitted by this designation(s): Rural Living, Resource Conversation, Commercial, and Institutional.

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: The proposal will have no direct effect on the land use designations.

6. Indicate the existing use of the subject territory. The proposal will have no direct effect on the existing land use designations.

What is the proposed land use? The proposal does not propose any changes to the existing land use designations.

7. 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 ☒ If YES, please explain.

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

☐ Agricultural Land Uses ☐ Agricultural Preserve Designation

☐ Williamson Act Contract ☐ Area where Special Permits are Required

☐ Any other unusual features of the area or permits required:

9. Provide a narrative response to the following factor of consideration as identified in §56668(p): *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:*

With respect to environmental justice, the proposal provides for the continuation of existing fire protection and emergency medical services within the area and will not result in the unfair treatment of any person based upon race, culture or income.

ENVIRONMENTAL INFORMATION

1. Provide general description of topography. The TPWD is located in the Morongo Basin which forms the southwestern corner of the Mojave Desert. This basin includes Joshua Tree National Park and

the Marine Corps Air Ground Combat Center. The Mojave Desert is separated from the Sonoran Desert to the south by the Little San Bernardino and Eagle Mountains, which are extensions of the Transverse Ranges. The western Mojave Desert is a flat, sparsely vegetated region that is interspersed with mountain ranges and dry lakes. The area is part of the high desert, large portions of which are at elevations between 2,500 and 4,000 feet above mean sea level.

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

Residential	28%	Agricultural	0%
Commercial	2%	Vacant	54%
Industrial	1%	Other	15%

3. Describe the surrounding land uses:

NORTH	Federal – Military Installation
EAST	Rural Living - Unincorporated
SOUTH	Federal – National Park
WEST	Rural Living - Unincorporated

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.).

N/A

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

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

7. Is this proposal a part of a larger project or series of projects? YES ☐ NO ☒ 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 Kerron E. Moore, President, TPWD TELEPHONE NO. (760) 367-7546
ADDRESS: 72401 Hatch Road, Twentynine Palms, CA 92277

NAME Ray Kolisz, General Manager, TPWD TELEPHONE NO. (760) 367-7546
ADDRESS: 72401 Hatch Road, Twentynine Palms, CA 92277

NAME Jim Thompson, Fire Chief, TPFD TELEPHONE NO. (760) 367-2150
ADDRESS: 6560 Adobe Road, Twentynine Palms, CA 92277

NAME Mark Hartwig, Fire Chief, SBCFPD TELEPHONE NO. (909) 387-5779
ADDRESS: 157 West 5th St, San Bernardino, CA 92415-0451

NAME John Chamberlin, Division Chief, SBCFPD TELEPHONE NO. (760) 365-3335
ADDRESS: 6942 Airway Avenue, Suite A, Yucca Valley, Ca. 92284

(FOR LAFCO USE ONLY)

NAME Frank Luckino, City Manager, City of 29 Palms TELEPHONE NO. (760) 367-6799
ADDRESS: 6136 Adobe Road, Twentynine Palms, CA 92277

CERTIFICATION

As a part of this application, the Twentynine Palms Water District (the applicant) agree to defend, indemnify, hold harmless, promptly reimburse San Bernardino LAFCO for all reasonable expenses and attorney fees, and release 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, penalties, fines and other costs imposed upon or incurred by San Bernardino LAFCO should San Bernardino LAFCO be named as a party in any litigation or administrative proceeding in connection with this application.

As the person signing this application, I will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I understand that if this application is approved, the Commission will impose a condition requiring the applicant and/or the real party in interest to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

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 9/22/2015

SIGNATURE

Kerron E. Moore, President
Board of Directors
Twentynine Palms Water District

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. 8/19/2015

3200
(FOR LAFCO USE ONLY)

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 proposal. 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	DETACHED FROM
San Bernardino County Fire Protection District (South Desert Service Zone) 157 West Fifth Street San Bernardino, CA 92415-0451	Twentynine Palms Water District 72401 Hatch Road Twentynine Palms, CA 92277

2. 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 ☐
   b. If the response to "a" is NO, is the area in the process of pre-zoning? YES ☐ NO ☐

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

   N/A

3. For a city annexation, would the proposal create a totally or substantially surrounded island of unincorporated territory?
   YES ☐ NO ☐ If YES, please provide a written justification for the proposed boundary configuration.

   N/A

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

   Yes. The territory would be overlaid with the existing San Bernardino County Fire Protection District Service Zone FP-5 special parcel tax for fire and emergency medical services.

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

   Yes. The territory would be relieved of the existing Twentynine Palms Water District Ordinance 89 special parcel tax for fire and emergency medical services.

6. 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.

   N/A

7. 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.

   N/A

8. **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.

   A. A description of the level and range of each service to be provided to the affected territory.

   B. An indication of when the service can be feasibly extended to the affected territory.

   C. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.

   D. The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.

   E. An indication of whether the 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.

   F. 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 Twentynine Palms Water District (the applicant) agree to defend, indemnify, hold harmless, promptly reimburse San Bernardino LAFCO for all reasonable expenses and attorney fees, and release 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.

(FOR LAFCO USE ONLY)

This indemnification obligation shall include, but not be limited to, damages, penalties, fines and other costs imposed upon or incurred by San Bernardino LAFCO should San Bernardino LAFCO be named as a party in any litigation or administrative proceeding in connection with this application.

As the person signing this application, I will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I understand that if this application is approved, the Commission will impose a condition requiring the applicant and/or the real party in interest 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 acknowledge that annexation to the San Bernardino County Fire Protection 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 XIIID 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 9/22/2015

SIGNATURE

Kerron E. Moore, President
Board of Directors
Twentynine Palms Water District

/REVISED: krm – 8/19/2015

3200
(FOR LAFCO USE ONLY)

SUPPLEMENT
SPECIAL DISTRICT SERVICES
ACTIVIATION OR DIVESTITURE OF FUNCTION/SERVICE

INTRODUCTION: The questions on this form are designed to obtain data about the specific service(s) requested to be authorized for the district. The purpose is to allow the Commission, staff and others to adequately assess the proposal. You may also include any additional information which you believe is pertinent, using additional sheets, where necessary, and including any relevant documents.

1. Please identify the function(s)/service(s) proposed for activation:

Example:	*(Function) Water*	*(Service) Retail, wholesale, domestic, industrial, irrigation, fire protection, sanitation*
FUNCTION Divestiture of Fire		SERVICE Structural, watershed, first aid, rescue, prevention, inspection

2. Provide a statement of the reason(s) for the proposal which shall include, but not be limited to, a description of any existing service deficiency, general plan determinations (existing or anticipated change necessitating service), anticipated growth rate (please identify source of data), topography, etc.

   The current provision of fire protection and emergency medical services was reduced from two staffed fire stations to one staffed fire station on June 1, 2013 due to the lack of a sustainable revenue source. Without a change of governance, further reductions in service will have to be implemented on July 1, 2016.

3. What service(s) was the District authorized to provide at the time of its formation? (Would be identified in final resolution approving formation or included in election decision – a copy of this document may be attached to fulfill this requirement.)

   In 1954 the Twentynine Palms County Water District was formed and immediately purchased three private water companies. Their wells, storage facilities, and piping served as the initial water system for the District. In 1958 the Twentynine Palms County Water District began to provide fire protection services, under the name Twentynine Palms Fire Department, after the California Department of Forestry ceased providing local fire protection.

4. Provide an identification of any multiple purpose districts within the area authorized to provide the identified function/service activation. Include a description as to why the preferred choice has been made.

   There is no multiple purpose district within the area authorized to provide the identified fire function. The San Bernardino County Fire Protection District, South Desert Service Zone is a single purpose district for the fire function and authorized to provide the following services:

   Structural, watershed, prevention, inspection, suppression, weed abatement, hazardous materials services, rescue, first aid, paramedic, ambulance transportation, emergency response, and disaster preparedness planning.

5. PLAN FOR SERVICES:

The requirements for the Plan for Service are outlined in Government Code Section 56824.12 and are summarized below:

1. The total estimated cost to provide the new or different function or class of service within the District's boundaries. This projection shall be, at a minimum, for a five-year period.

2. The estimated cost of the new or different function or service to existing customers within the district's jurisdictional boundaries. (The cost can be identified by customer class).

3. An identification of existing providers, if any, of the function(s)/service(s) and the potential fiscal impact of this activation to the customers of those providers.

4. A plan for financing the establishment of the new or different function/service within the district's jurisdictional boundaries. A five-year projection of revenues (at a minimum) with discussion about the sufficiency of revenues to fund the anticipated ongoing maintenance and operation of the service is required. This plan should include:

    a. An indication of whether territory is or will be proposed for inclusion within a proposed improvement zone/district, assessment district, or community facilities district to fund the service.

    b. If retail water service is proposed to be activated through this action, provide a description of the timely availability of water for projected needs within the area. (The response should be patterned after the factors identified in Government Code Section 65352.5 related to an Urban Water Management Plan.)

5. A discussion of the alternatives to the establishment of the new or different service within the District's boundaries/service area.

This plan shall, at a minimum, respond to each of the items identified above and shall be signed and certified as to its completeness and accuracy by an official of the requesting agency.

CERTIFICATION

As a part of this application, the Twentynine Palms Water District agrees to defend, indemnify, hold harmless, promptly reimburse San Bernardino LAFCO for all reasonable expenses and attorney fees, and release 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, penalties, fines and other costs imposed upon or incurred by San Bernardino LAFCO should San Bernardino LAFCO be named as a party in any litigation or administrative proceeding in connection with this application.

The district signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I understand that if this application is approved, the Commission

(FOR LAFCO USE ONLY)

will impose a condition requiring the proponent to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

I hereby certify that the statements furnished above and in any attachments and exhibits hereto 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 9/22/2015

SIGNATURE OF APPLICANT

Kerron E. Moore, President
Board of Directors
Twentynine Palms Water District

/Revised: krm 8/19/2015

RECEIVED
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LAFCO
San Bernardino County



Annexation Proposal for the Community of Twentynine Palms

Plan for Service

September 18th, 2015

Background:

History-

The Twentynine Palms Fire Department was formed on August 7th, 1958, by the County Water Board, under the auspice of providing fire protection services to the community of Twentynine Palms. The California Department of Forestry had relocated their operations to their new facility in the area of Yucca Valley and left a service delivery gap in the community of Twenty Nine Palms.

Over time the Twentynine Palms Fire Department evolved into a two station fully staffed BLS (Basic Life Support) service delivery model, providing fire, rescue and EMS functions to the citizens of the City of Twentynine Palms and surrounding communities.

Through attrition and funding shortfalls the foundation for service has eroded and there are currently 5 full time personnel (including the Fire Chief), providing constant staffing in compliance with OSHA 29 CFR, Part 1910.134 (g)(3)&(4), California Code of Regulations: 8 CCR § 5144 (g) (3)(4) and N.F.P.A. 1500 (2007 edition) 2 in, 2 out standards, augmented by a small Paid Call Firefighter and volunteer force.

Recent Activities-

On June 8th, 2015, the Twentynine Palms Water District and the Twentynine Palms City Council voted on recommendations from the Twentynine Palms Fire Department Fire Chief Jim Thompson and City Manager Frank Luckino, to form a 4-person ADHOC committee with two representatives each from the City of Twentynine Palms and Twentynine Palms Water District Board.

From the Water District, Board Chair Kerron "Sam" Moore and Director Carol Giannini were selected and from the City, Mayor Pro-Tem Daniel Mintz Sr. and Councilmember John Cole.

The first ADHOC meeting was held at the Twentynine Palms Water District chambers, with all ADHOC committee members present, along with Twentynine

Palms City Manager Luckino, Twentynine Palms Fire Chief Thompson, San Bernardino County Fire District Division Chief Chamberlin and Twentynine Palms Water District Finance Manager Byerrum. The focus of this presentation was the past history and current situational update of the Twentynine Palms Fire Department. This also included a historical documentation of pre and post proposition 218 funding, along with both successful and unsuccessful tax measures with results.

The second ADHOC meeting was held at the Twentynine Palms City Council chambers on July 20th, 2015 (1000 hours) with all ADHOC members, along with Twentynine Palms City Manager Luckino, Twentynine Palms Fire Chief Thompson, San Bernardino County Fire District Division Chief Chamberlin and Twentynine Palms Water District Finance Manager Byerrum present. This meeting encompassed the San Bernardino County Fire District service delivery model and funding option.

At the conclusion of this meeting, Twentynine Palms Water District Board Chair Moore indicated that a special meeting would be called at the Twentynine Palms Water District for further consideration of a LAFCO application.

On August 5th, 2015, the Twentynine Palms Water District convened a special meeting for consideration of a LAFCO annexation application. The meeting heard presentations from both Twnetynine Palms Fire Chief Thompson and San Bernardino County Fire District Division Chief Chamberlin on history and service models.

At the end of the meeting, a motion was made and carried on a 4-1 Vote with Director Giannini dissenting to establish the initial application packet for consider by LAFCO with a target transitional date of July 1st, 2016 for service.

On August 19th, 2015 the Twentynine Palms City Council called a special meeting for consideration of a Resolution of support for a LAFCO application for annexation of the Twentynine Palms Fire Department into the San Bernardino County Fire District, with divestiture of the City of Twentynine Palms' interest in providing such services under the City's general plan.

Presentations were made by Twentynine Palms City Manager Luckino and San Bernardino County Fire District Division Chief Chamberlin and the vote carried forward in support of the resolution by a 4-1 vote with Councilmember Heiser dissenting.

On August 26th, 2015 the Twentynine Palms Water Board again convened and this time voted in favor of their Resolution in support of the LAFCO annexation of the Twentynine Palms Fire Department to the San Bernardino County Fire District and divesture of the their fire powers. (Appendix A – Twentynine Palms Water District Resolution No. 15-14)

On September 15th, 2015 the San Bernardino County Board of Supervisors, acting as the Board of the San Bernardino County Fire District, voted to adopt a Resolution in support of both the Twentynine Palms Water District and City of Twentynine Palms Resolutions, for consideration of a LAFCO application annexing the fire powers, assets, liabilities and service delivery effective July 1st, 2016, to the San Bernardino County Fire District. (Appendix B – Report/Recommendation to the Board of Directors of the San Bernardino County Fire Protection District Item # 79, Appendix C – Resolution by the Board of Directors of San Bernardino County Fire Protection District # 2016-182)

Financial Background:

The Twentynine Palms Water Fire Department is a subsidiary of the Twentynine Palms Water District. Upon incorporation in November of 1996, the local community leaders decided to have the "fire powers" remain under the control and interest of the Twentynine Palms Water District. This allowed a zero 0% allocation of the ad valorem tax apportionment for fire protection.

Attached is a historical documentation of tax measures that have been proposed, approved or denied within the boundaries of the Twentynine Palms Water District since 1985.

Beginning in 1985, there was an initial assessment of $33.85 per parcel or dwelling unit, that allowed for a Water Board approved inflationary measure and protest period. This was successful until the California voter approved Proposition 218 measure in 1996, which rolled back or negated all together special tax measures. The final termination amount for this measure in FY96/97 was $57.00.

In June 1997, the Water District voters approved by a 72% margin a new tax starting at $54.00. The measure was designed to be sustaining for 5 years, however, it carried the Twentynine Palms Fire Department for 8 years, until March 2005.

In March 2004, an attempt at a replacement tax with an inflationary measure was put on the ballot "Measure A". This measure began its rate at $80.00 and had a built in 2% annual inflationary adjuster. The vote was unsuccessful garnering on 54%.

In March 2005, a replacement tax, "Measure J", was approved by the voters at a flat rate of $80. This measure contained no inflationary assessment and has since become a direct source of fiscal erosion within the Twentynine Palms Fire Department. This measure was approved by the voters at just of 70% of the vote and has remained unchanged or adjusted in any way for the past 11 years.

In April 2012, an attempt to enhance funding called "Measure H" was defeated by the voters, only garnering 48% of the vote. This measure called for a starting rate of $120 and an annual inflationary fixed amount of $6 per year, for an additional ten years.

The Twentynine Palms Water District is not able to enhance the Fire Department's funding nor act as a revenue stream as they are required by law to only bill for goods and services directly related to their service delivery and mission. (Appendix D – FIRE TAX HISTORY and ASSUMPTIONS, Appendix E – Twentynine Palms Water District Board of Directors Ordinance #89)

Previous LAFCO Service Review

The Twentynine Palms Water District and Fire Department underwent a LAFCO services review study, Resolution #3162 in June 2012. The study found that the funding mechanisms in place could not sustain operations and further annexation of the area by the Twentynine Palms Fire Department would not be approved due to these factors. (Appendix F – LAFCO Service Review Resolution #3162)

The Resolution further recommended transfer of Fire Powers to the City of Twentynine Palms as the service provider as outlined in Government Code Section 38611. If the City of Twentynine Palms opted to take on Fire Powers, it would have to continue service delivery to the unincorporated areas of the County, in which the Twentynine Palms Water District currently provides fire services.

The City of Twentynine Palms would then have to determine it's own best service delivery modeling by either:

A) Providing it's fire service delivery model or;
B) It could contract with another agency such as the County of San Bernardino or CalFire as examples.

In either example, the City of Twentynine Palms would remain responsible for the service delivery model.

Resolution #3162 also afforded an additional option to the agencies involved in that there could be a potential for annexation into the County of San Bernardino. This would transfer all Twentynine Palms Fire Department assets into the district and charge the San Bernardino County Fire District with the responsibility for service delivery both within the City of Twentynine Palms and the unincorporated areas of the County (current Water District boundaries).

The annexation model would need to create a new zone overlaying the existing Water District boundaries, for establishment of the funding revenue source via within the newly formed zone.

Identified assets and liabilities

The Twentynine Palms Fire Department currently has possession of two separate fire station structures:

Fire Station #421:

6560 Adobe Rd, Twentynine Palms CA 92277

APN# 0617-115-26

Structure size: 7,043 square feet

Lot size approximately .75 acres

Fire Station #422:

3834 Lear Ave, Twentynine Palms CA 92277

APN# 0610-041-02

Structure Size: 6,500 square feet

Lot Size approximately 6.78 acres (Appendix G – Physical Location of Twentynine Palms Fire Department Stations – APN #)

Vehicle Inventory

(Appendix H - Fleet)

Stock #	Unit #	Type	Year	Make	Miles
1020	R422	Light & Air	1986	Ford/E-One	91011
1022	E421A	Engine	1993	E-One/Protector	152091
1027	E422	Engine	2000	International/Pierce	105703
1028	UT421A	Utility	2001	Ford F150	175711
1029	BP421	Brush Patrol	2002	Ford F550 4x4/Pierce	84107
1030	CH5000	Utility	2003	Ford F150 4x4	128970
1032	E421	Engine	2007	Pierce/Enforcer	120446
1033	UT421	Utility	2008	Ford F150 4x4	70725
1034	T421	Truck	1997	Pierce/Dash 75' Aerial	117082

There are no identified liens or holdings outside of the Twentynine Palms Water District on and of the identified Fire Station or apparatus.

Fire Station #422 is currently under a cooperative agreement for approximately $2,700.00 per annum with Copper Mountain College for a facilities use agreement, terminable as necessary.

There are no currently identifiable Assistance to Firefighter Grant (AFG), Department of Homeland Security (DHS) or State of California Officer of Emergency Services (OES) based apparatus, personnel or equipment that requires ongoing tracking.

The Twentynine Palms Firefighters are working under a current MOU for salary and benefits until May 2016. A temporary successor MOU or side letter agreement will need to be addressed.

The single highest and only identified liability that is in need of solution is the unfunded pension liability due to CALPERS. There is a previous calculation from CALPERS of approximately $1,900,000.00. We have requested an actuarial study from CALPERS and anticipate the final numbers for completion into the required fiscal documentation in November 2015.

Plan for Service Delivery

The San Bernardino County Fire District has indicated that their standard model of delivery is a 3 person ALS (Advanced Life Support) Paramedic Engine or Truck Company for a single resource fire station.

The delivery model would include at least one daily Paramedic based on the mandatory statutes set forth by ICEMA (Inland County Emergency Medical Agency), which functions as the governing body for the oversight of medical care within San Bernardino County.

A large component of the annexation is the incorporation of the regionalized service delivery modeling. Each apparatus will be outfitted with GPS/AVL (Global Positioning System/Automatic Vehicle Location) technology to assist in location services and through our CAD (Computer Aided Dispatch), MDC (Mobile Data Computer) providing updated instant mapping capability and via the location services the deployment of the closest possible resource to meet the demand for any incident at any time.

By integrating resources from across the Morongo Basin, the best available and most efficient model for service delivery is achieved.

During the initial phase of the annexation, operations will begin with a $1,000,000 operating budget earmarked from the Twentynine Palms Fire Department reserve funding.

This revenue has been outlined in the initial outlay for service delivery from July 1st 2016 to approximately December 1st, 2016, in which the first tax roles from the newly created FP-5 Twentynine Palms will start to fund.

As part of the approved application, the proper documentation will be filed with the San Bernardino County Tax Assessor's office requesting dissolution of the existing Twentynine Palms Water District Special Tax for Fire Protection. It will then be replaced by the San Bernardino County Fire District FP-5, with a subset of

Twentynine Palms as the new overlay. This collection of these funds will not commence until the November 2016 property tax collection cycle and will become available to the San Bernardino County Fire District starting in December 2016.

The new FP-5 Twentynine Palms Zone would incorporate an entire overlay of the existing Twentynine Palms Water District. A review of the Twentynine Palms Water District overlay resulted in the following findings:

Encompassed within the Twentynine Palms Water District is 16,495 parcels. Of these parcels 1,232 are government owned and are not required to pay the tax. This leaves the total parcel count at 15,263 parcels based on the current overlay of the district.

Based on the approved current tax of $143.92 x's 15,263 parcels, the anticipated revenue $2,196,650.96 for FY16/17. (Appendix I – 5 year projected budget documentation)

This spending plan is designed to allow for a rapid escalation of Capital Replacement funding. The Capital Replacement funding includes replacement of all functional materials directly related to service delivery within an ALS fire based service delivery model.

Also identified is equipment replacement for the Type 1 fire engine and 1/30th of a new Aerial Platform for truck company operations to serve the basin. This will be factored directly between Twentynine Palms and Yucca Valley for service delivery.

This staffing model requires $1,589,103 based on salary and benefits starting in 16/17 and with a 2% inflationary measure per year, ending the five-year forecast (FY20/21) at $1,823,532.24.

Services and Supplies budget for FY16/17 requires $844,495. This includes a one-time purchase of SCBA (Self Contained Breathing Apparatus) for replacement of equipment in conjunction with a full County-Wide replacement to insure continuity for crew safety.

Total operating expenses for FY 16/17 is $2,307,134.49. This amount does not include any unfunded retirement obligations which are pending in negotiations.

For FY17/18 the required Services and Supplies budget reduces to $715,846.60.

In the final year of the 5 year forecast ending in FY20/21, the Salary and Benefits required revenues are $1,720,096.19.

The Services and Supplies budget will increase to $746,846.60 based on a 2% inflationary factor per annum.

The original Fund Balance from the $1,000,000.00 anticipated startup results in $782,526.49 for FY16/17, lowering to $654,411.19 in FY19/20 and then an upswing starting in FY20/21 to $670,292.47. Each of these years is assuming a 3% inflationary measure being passed by the San Bernardino County Board of Supervisors.

Several variations of the final funding outlay have been incorporated to show the fiscal solvency of the service plan for at least the next five years. Based on the potential negotiations between the Twentynine Palms Water District, the City of Twentynine Palms and the County of San Bernardino there may or may not be any form of inclusion of retirement system contributions into the direct operating revenues.

Furthermore, there is a strong likelihood of cost containment resulting in only a minimal inflationary measure being forecast based on operational needs.

This concludes the findings of all available data and factual evidence to support the Plan for Service for the annexation proposal of Twentynine Palms Fire Department into the San Bernardino County Fire District.

I hereby certify that the statements furnished above and the documents attached 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.

Mark Hartwig, Fire Chief

San Bernardino County Fire District

Additional Appendices:

Appendix J – FY 2014/15 Twentynine Palms Fire Department Budget

Appendix K – FY 2015/16 Twentynine Palms Fire Department Budget

Appendix L – Annual replacement of small equipment

Appendix M – Annual replacement costing of rolling stock

Twenty-Nine Palms Annexation 5 year Plan	2016 Proposed Staffing Count	2015/16 Average Cost Per Position	2016/17 Average Cost Per Position	2016/17 SBCFPD Proposed Staffing	2017/18 Average Cost Per Position	2017/18 SBCFPD Proposed Staffing	2018/19 Average Cost Per Position	2018/19 SBCFPD Proposed Staffing	2019/20 Average Cost Per Position	2019/20 SBCFPD Proposed Staffing	2020/21 Average Cost Per Position	2020/21 SBCFPD Proposed Staffing
Staffing												
Station 421 - ME - Capt/Eng/FFPM			5.00%		2.00%		2.00%		3.00%		3.00%	
Captain	3	$ 204,177.00	$ 214,385.85	$ 643,157.55	$ 218,673.57	$ 656,020.70	$ 223,047.04	$ 669,141.12	$ 229,738.45	$ 689,215.35	$ 236,630.60	$ 709,891.81
Engineer	3	$ 177,614.00	$ 186,494.70	$ 559,484.10	$ 190,224.59	$ 570,673.78	$ 194,029.09	$ 582,087.26	$ 199,849.96	$ 599,549.88	$ 205,845.46	$ 617,536.37
FF/PM	3	$ 143,816.00	$ 151,006.80	$ 453,020.40	$ 154,026.94	$ 462,080.81	$ 157,107.47	$ 471,322.42	$ 161,820.70	$ 485,462.10	$ 166,675.32	$ 500,025.96
Total Count of Employees	9											
Total Salary and Benefits			$ 551,887.35	$ 1,655,662.05		$ 1,688,775.29		$ 1,722,550.80		$ 1,774,227.32		$ 1,827,454.14
Services and Supplies						2.00%		2.00%		2.00%		2.00%
Services and Supplies				$ 165,000.00		$ 168,300.00		$ 171,666.00		$ 175,099.32		$ 178,601.31
Transfers for Support Services/Admin Costs				$ 177,280.00		$ 180,825.60		$ 184,442.11		$ 188,130.95		$ 191,893.57
Confire/MIS Support				$ 142,500.00		$ 145,350.00		$ 148,257.00		$ 151,222.14		$ 154,246.58
One Time start up costs including SBCA replacement gear				$ -								
Capital Replacement - Small Tools and Equipment				$ 5,000.00		$ 5,000.00		$ 5,000.00		$ 5,000.00		$ 5,000.00
Capital Replacement - Vehicle Equipment Replacement				$ 61,833.00		$ 61,833.00		$ 61,833.00		$ 61,833.00		$ 61,833.00
Fire Station Building Lease Sta. 421				$ 30,672.00		$ 31,284.00		$ 31,908.00		$ 32,544.00		$ 33,204.00
lease supplement to transfer 50% of water district delinquency to City								$ 160,000.00		$ 80,000.00		$ 80,000.00
Total Appropriations				$ 2,237,947.05		$ 2,281,367.91		$ 2,485,656.93		$ 2,468,056.75		$ 2,532,232.62
Revenues												
Special Tax				16/17		3.00%		3.00%		3.00%		3.00%
Special Tax FP-5 ($143.91 X 3% = $148.23/parcel @ 15,263 parcels) (factored @ 89% collection rate)	$ 2,262,434.49			$ 2,013,566.70		$ 2,073,973.70		$ 2,136,192.91		$ 2,200,278.70		$ 2,266,287.06
LAFCO additional parcels ($148.23 x 334 parcels)				$ 44,062.85		$ 45,384.74		$ 46,746.28		$ 48,148.67		$ 49,593.13
Delinquent Prior Year Water District Special Tax Revenue (6%)				$ 110,000.00		$ 110,000.00		$ 110,000.00		$ 110,000.00		
Delinquent Prior Year County Fire Special Tax Revenue (6%)						$ 69,909.23		$ 120,010.84		$ 148,333.40		$ 152,783.40
Other Revenue												
Interest Earned				$ 500.00		$ 750.00		$ 1,000.00		$ 1,500.00		$ 2,000.00
Penalties (based on 29 Palms' prior year budget figure on their assessment @ $80/parcel)				$ 50,000.00		$ 50,000.00		$ 50,000.00		$ 50,000.00		
Penalties (based on future assessment @ $148/parcel)						$ 31,459.15		$ 54,004.88		$ 66,750.03		$ 68,752.53
First Responder Fee - 1,680 EMS based calls @ $275 each (12% collection rate)				$ 55,440.00		$ 55,440.00		$ 55,440.00		$ 55,440.00		$ 55,440.00
Other Revenue - Non-Operating				$ 7,700.00		$ 7,700.00		$ 7,700.00		$ 7,700.00		$ 7,700.00
Total Revenues				$ 2,281,269.55		$ 2,444,616.81		$ 2,581,094.90		$ 2,688,150.79		$ 2,602,556.11
Total Revenues less Appropriations				$ 43,322.50		$ 163,248.90		$ 95,437.97		$ 220,094.03		$ 70,323.49
Fund Balance												
Beginning Fund Balance						$ 43,322.50		$ 206,571.40		$ 302,009.37		$ 522,103.41
TOTAL APPROPRIATIONS				$ (2,237,947.05)		$ (2,281,367.91)		$ (2,485,656.93)		$ (2,468,056.75)		$ (2,532,232.62)
TOTAL REVENUES				$ 2,281,269.55		$ 2,444,616.81		$ 2,581,094.90		$ 2,688,150.79		$ 2,602,556.11
Ending Fund Balance				$ 43,322.50		$ 206,571.40		$ 302,009.37		$ 522,103.41		$ 592,426.89

Note: Captains/Engineers/FFPM salaries/benefits based upon averages in bud prep system of SB County Fire
Note: Transfers for support services and admin costs represents share office staff; as well as share of training expenses, SCBA program and safety gear pool program; as well as $85,728 of share of DC and 3 BCs (Chamberlin's FTE figures)
Note: Capital Replacement - Vehicle Equipment Replacement (1 engine at $742k amortized at 12 years)
Note: FP-5 FY 15/16 rate is $143.91. There is a 3% COLA allowed every year thereafter as needed
Note: "Other Revenue" figures are derived from FY15/16 29 Palms Fire District Proposed Budget Summary and $5k added for cost recovery
Note: One time start up costs not factored in (SCBAs, cardiac monitor, ballistic protection)
Note: First Reponder Fee is factored at 80% of 2,100 calls (1,680 calls @ $275 per call with collection rate of 12%)

I hereby certify that the statements furnished above and the documents attached 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 as of the date prepared. This plan will be revised and updated through the LAFCO process as more information becomes available.

2-8-2016

Mark Hartwig, Fire Chief **DATE**

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FEB 09 2016
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DEC 17 2015
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San Bernardino County

San Bernardino County Fire District Employee/Property Transition Plan:

For the Twentynine Palms Fire Department, a subsidiary district of the Twentynine Palms Water District

December 2015

Presented by: John Chamberlin, Division Chief
San Bernardino County Fire District

Transition Plan

Introduction

The San Bernardino County Fire District is currently finalizing negotiations for a permanent transfer of employees, assets and facilities to provide fire services for the Twentynine Palms Fire Department through an annexation into the district.

The final package will result in a three party agreement between the Twentynine Palms Water District (the Board of Directors and governing body of the Twentynine Palms Fire Department), The City of Twentynine Palms and the County of San Bernardino (the Board of Supervisors acting as the Board of Directors on behalf of the San Bernardino County Fire District).

Resolutions have been passed by each of the respective boards in favor of annexation of current fire services into the San Bernardino County Fire District, with the ultimate outcome being a fiscally sustainable model, as well as enhanced regionalized service delivery at a higher medical care to the constituents affected.

All parties involved have worked collectively to identify and outline a fair and equitable transition process. This includes working through a variety of factors including unfunded liability and possible solutions, a current employee MOU between the Water District and it's employees, contracts between the current Fire Department and outside entities, as

well as developing a 5 year broadcast of the fiscal analysis to satisfy the requirements as set forth by LAFCO.

MOU's

Attached you will find copies of both current MOU's from the San Bernardino County Firefighters IAFF Local #935 (Appendix A) (expiration of October 2019) and the Twentynine Palms Firefighters IAFF Local #4266 (expiration of May 2016) (Appendix B).

The Fire Chief from Twentynine Palms Fire Department has met preliminarily with members of Twentynine Palms Firefighters IAFF Local #4266 and has received no indication of opposition to the annexation.

A temporary side letter extending the current provisions of the MOU between the Twentynine Palms Water District and the Twentynine Palms Firefighters IAFF Local #4266 will need to be developed. A stipulation of the side letter must include an agreement to revert to the previous MOU provisions and a reopener clause, in the event that the annexation is ultimately challenged or fails.

Employment

Since the earliest of meetings, one of the main concerns was making sure that the current employees would be treated in a fair and equitable manner during any potential transition.

The San Bernardino County Fire District operates 50 fire stations across the approximately 16,500 square miles it

serves. Even with a fairly aggressive hiring schedule in place, the district is currently absorbing approximately 70 open positions across all ranks of fire suppression.

The Twentynine Palms Fire Department currently employs 5 full time personnel. This includes 1 Fire Chief, 2 Fire Captains and 2 Fire Engineers.

The identified staffing pattern for the operations of Fire Station #421 under the district calls for 3 Captains, 3 Engineers and 3 Firefighter/Paramedics.

Because of the need of exposure to understand the district's operations, each of the current Captains and Engineers will be offered positions within the district as Fire Engineers.

The current Fire Chief is under contract with the Twentynine Palms Water District until January 31st, 2017, under which the time he is set to retire. In addition, several factors written into the contract require that he be afforded the opportunity to retire from a CALPERS agency and thus will be bought out of the remaining time of his contract per the included stipulations. (Appendix C)((Appendix D for costing))

All offers are subject to the employee passing a full background and NFPA compliant standard San Bernardino County Fire District physical.

Leave (Appendix A – Pages 12 through 25)

Representatives from IAFF Local 935 have met with IAFF Local 4266 board members and have advised of the need to "carry over" a minimum of 240 hours of sick leave. Highlighting this number specifically covers any potential lost time due to an off

work injury and is the minimum required under the current plan for Long Term Disability (LTD).

Since the Twentynine Palms Fire Department personnel currently work a 72 hour work week, their respective hourly rate is lower and accrued hours of leave per pay period are higher to account for the work week.

The members of the San Bernardino County Fire District work a 56 hour work week and thus their hourly rate is higher and hours accrued for leave are less per pay period.

Twentynine Palms Fire Department personnel will have their hours valued at their current rate for an overall dollar value.

A factor based on the entry step for each employee will be established based the closest next highest step from the annual pay from each agency. This will be based on base pay only.

Once the new hourly rate is established, the value from the leave accrued to Twentynine Palms Fire Department employees under that tenure can be transferred based on the newly established hourly rate with the San Bernardino County Fire District.

Only the Vacation and Sick Leave provisions of Twentynine Palms Firefighters IAFF Local #4266 MOU will be considered as they are paid annually for their holidays and do not accrue time off in lieu of. The review conducted between the staff at the Twentynine Palms Fire Department and San Bernardino County Fire District indicated that the net costing of transition or buyouts of all employees per MOU provisions should not exceed $145,000, of which all will be paid from Twentynine

Palms Fire Department Fund Balance to either the employee or the County of San Bernardino to place leave on the books.

Transitioning employees will have their original hire date honored for the purposes of leave accrual, based on hours of service, into the current MOU between the County of San Bernardino and the San Bernardino County Professional Firefighter IAFF Local #935.

Salary

The Fire Captains and Fire Engineers will be tentatively offered a salary step within the Fire Engineer range that is closest, to the employee is not to lose pay. (Appendix A –Pages 50 & 51)

The Fire Chief's contract will be dealt with separately between the Twentynine Palms Water District and the Fire Chief, under the legal provisions of the document.

Probationary Period

There are not any employees currently on probation. Therefore, in the transition no employees would be placed back on probation.

Seniority

Employees of the Twentynine Palms Fire Department will retain their original hire date with the Twentynine Palms Fire Department for purposes of seniority. This seniority date is specific to opportunities afforded under the MOU regarding time of service, as well as annual bid rights and transfers within the organization.

For purposes of any potential employee layoff procedures, the date of transition with the annexation would be the effective date as a new county employee and the County of San Bernardino Rules and Regulations would apply.

Asset Transition

Fire Stations:

As part of the unfunded liability resolution, the San Bernardino County Fire District agrees to forgo the annexation of the main fire station (Station #421), located at 6560 Adobe Rd, Twentynine Palms CA. 92277, APN #0617-115-126.

The City of Twentynine Palms has in process a revitalization process for the downtown area and the fire station is directly in the mainstay of the project. Since the City was entering into a bridge between the Water District and the Fire District, it wanted a tangible asset to show for its potential capital outlay. The building will be purchased by the City of Twentynine Palms in amount of $250,000. (Appendix E – Page 2)

Since the fire station is located in the best possible location for the current call volume, the San Bernardino County Fire District has agreed to lease back the station for an initial term of 7 years. This agreement will have extensions available as per the San Bernardino County Fire Districts request (if necessary). The cost of the arrangement should start at initially $30,000 annually and increase by 2% per FY over the 7 years. This has been factored into the attached spreadsheet for the financial analysis.

Fire Station #422 located at 3834 Lear Ave, Twentynine Palms CA 92277, APN #0610-041-02, shall be transferred to the San Bernardino County Fire District. This property has been represented as fully paid off and bearing no current liens or encumbrances against it.

Copper Mountain College has expressed interest in a cooperative venture to form a joint regionalized training center on behalf of the Morongo Basin college students and fire agencies. The lot size for station #422 is roughly 6.78 acres, of which less than 2 acres is developed. The station is not located in proximity to the call volume and would likely not be staffed by the San Bernardino County Fire District in the foreseeable future.

Vehicles:

The San Bernardino County Fire District has performed a review of the fleet owned by the Twentynine Palms Fire Department and identified 4 pieces of the current 9 serviceable pieces to be annexed over for use.

Stock #	Unit #	Type	Year	Make	Miles
1029	BP421	Brush Patrol	2002	Ford F550 4x4/Pierce	84107
1032	E421	Engine	2007	Pierce/Enforcer	120446
1033	UT421	Utility	2008	Ford F150 4x4	70725
1034	T421	Truck	1997	Pierce/Dash 75' Aerial	117082

The San Bernardino County Fire District will work with the Copper Mountain College and the Twentynine Palms Water District to see if any of the remaining assets are requested to support the fire technology program at the local college. These vehicles would be identified as:

Stock #	Unit #	Type	Year	Make	Miles
1020	R422	Light & Air	1986	Ford/E-One	91011
1022	E421A	Engine	1993	E-One/Protector	152091

1027	E422	Engine	2000	International/Pierce	105703
1028	UT421A	Utility	2001	Ford F150	175711
1030	CH5000	Utility	2003	Ford F150 4x4	128970

All vehicles have been represented to have clean titles and fully paid off, without encumbrances against them.

Unfunded Retirement Obligations (Appendix E, F &G)

In mid-November 2015, CALPERS at the request of the legal counsel for the Twentynine Palms Fire Department obtained an actuarial for the unfunded liabilities for future costs.

The original amount during the ADHOC committee meetings was represented from numbers derived two years prior and that was approximately $1.9 million.

Surprisingly, the number from CALPERS came back at approximately $2.9 million to terminate the existing plan.

The City of Twentynine Palms City Manager Frank Luckino worked with a consultant group and CALPERS to find an equitable solution. The employee group will be placed into an "inactive status" vs. terminating the safety plan.

This allows for an exit strategy on behalf of the Water District, by the City of Twentynine Palms at a time which the costing of the separation and final payment is believed to be lower based on bond market rates.

A large payment will be made from the remaining fund balance to CALPERS and this will afford up to 20 year window with CALPERS without any additional payments required to evaluate market conditions and the timing of final payment.

As part of the severance and debt obligation, a new service zone, separated from the FP-5 Twentynine Palms will need to be created. This new zone will be specifically set aside for retirement debt obligation and be initially funded via a fund balance from the Twentynine Palms Fire Department. Additional contributions from the Twentynine Palms Water District of $50,000 for 5 years (to offset areas outside of the City of Twentynine Palms) will be added to the service zone.

The Twentynine Palms Water District shall initiate an "inactive status" with CALPERS in relation to the existing Twentynine Palms Fire Department personnel.

The City of Twentynine Palms is the guarantor on repayment of the potential remaining costs associated less the contributions already made by the Twentynine Palms Fire Department and Twentynine Palms Water District. Neither the County of San Bernardino nor the San Bernardino County Fire District will have any debt obligation involving the unfunded pension liability now or in the future in relation to the existing CALPERS plan assigned to the Twentynine Palms Fire Department.

I hereby certify that the statements furnished above and the documents attached 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.

Mark Hartwig, Fire Chief
San Bernardino County Fire District

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San Bernardino County

MEMORANDUM OF UNDERSTANDING
BETWEEN

SAN BERNARDINO COUNTY
FIRE PROTECTION DISTRICT
AND
SAN BERNARDINO COUNTY PROFESSIONAL
FIREFIGHTERS
IAFF, LOCAL 935

2015 - 2019

MEMORANDUM OF UNDERSTANDING
2015-2019

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PREAMBLE

This Memorandum of Understanding is entered into pursuant to applicable provisions of State law and local ordinance between the San Bernardino County Fire Protection District, collectively or individually referred to as the District, and the San Bernardino County Professional Firefighters, IAFF, Local 935, AFL-CIO, CLC, hereinafter referred to as the Union, containing the complete results of the negotiations concerning wages, hours and other terms and conditions of employment for employees represented herein.

The parties to this Agreement hereto have met and conferred in good faith exchanging various proposals in an attempt to reach agreement. The parties affirm their mutual commitment to the goals of effective and efficient public service, high employee morale, sound and responsible management of District business, and amicable employer-employee relations. The parties acknowledge that productivity improvement can only be achieved as a by-product to valuing people.

The parties encourage the highest possible degree of friendly, cooperative relationships between their respective representatives at all levels and with and between all employees.

RECOGNITION

Pursuant to the provisions of local ordinance and applicable State law, the San Bernardino County Firefighters, IAFF, Local 935 (hereinafter Union), is hereby acknowledged as the exclusive recognized employee organization for District employees in the classifications of Firefighter, Engineer, and Captain, as well as employees in such classes as may be added to this listing hereafter by the District.

APPROVAL BY BOARD OF DIRECTORS

This Memorandum of Understanding is subject to approval by the Board of Supervisors acting as the Board of Directors for District. The parties hereto agree to perform whatever acts are necessary, both jointly and separately, to urge the Board to approve and enforce this Memorandum of Understanding in its entirety.

Following approval of this Memorandum of Understanding by the Board, its terms and conditions shall be implemented by appropriate ordinance, resolution or other appropriate lawful action.

ASSIGNMENT TO VACANT HIGHER POSITION

Employees directed to continuously perform duties in a vacant higher level regular position for which funds have been appropriated shall be entitled to a salary rate increase to the higher level for the time actually worked in excess of five (5) consecutively assigned shifts unless specifically waived by the employee. The salary

rate increase will become effective the first day of the pay period following completion of the five shifts provided, however:

(a) The Division Chief certifies to the Director of Resources, in writing at the time of appointment that the employee is assigned and held responsible to fully perform all of the duties normally associated with the higher level position without limitations as to difficulty or complexity of assignments or consequences of action and that the employee shall be required to meet standards for satisfactory performance normally required at the higher level position.

(b) A written request for a salary rate increase to the higher level is directed to the Director of Human Resources for approval. Such increase to the higher level shall be determined as if the assignment had been a promotion.

(c) The employee meets the minimum qualifications for the higher level position.

Requests for a salary increase should be initiated during the first thirty (30) calendar days of such assignment. It shall be the responsibility of the Division Chief to initiate such requests.

The duration of such assignments to vacant higher positions shall not exceed one (1) calendar year. This Article does not apply to a situation in which there is no vacant higher level position for which funds have been appropriated. For purposes of this Article, a vacant position is defined as an authorized regular position for which funds have been appropriated and which may be:

(a) An unoccupied position due to attrition and for which the appointment process has been initiated; or,

(b) A position from which the incumbent is on extended leave of absence. Extended leave of absence is defined as a leave of absence with or without pay due to any illness and injury when required in writing by a certified physician.

An incumbent on vacation or holiday leave will not be considered to be on an extended leave of absence unless vacation or holiday leave are being used in lieu of sick leave, or as part of a Special Leave as defined in Section (7) of the Article on "Leave Provisions."

BILINGUAL COMPENSATION

Employees in positions designated by the Fire Chief, which require employees as a condition of employment to perform oral bilingual translation as a part of their regular duties, shall be entitled to bilingual compensation. Such compensation shall apply regardless of the total time required per day for such compensation. Employees in such positions must be certified as competent by the Director of Human Resources to be eligible for compensation. Compensation per pay period shall be $23.08. Employees who are certified to speak Spanish qualify under this Article.

CALL BACK

When the employee in a regular position returns to duty at the workstation at the request of the Division Chief after said employee has been released from duty and has left the workstation, said employee shall be entitled to call back compensation. Special tours of duty scheduled in advance, or when employees are called back within two (2) hours of the beginning of a scheduled tour of duty, are not considered call back hours for the purpose of this article. An employee need not be assigned to standby duty to be entitled to receive call back compensation.

Call back compensation shall be paid in the following manner: The employee shall be paid for a minimum of three (3) hours at the premium rate of pay for each call back occurrence; said compensation shall be in-lieu of any travel time to and from home and the first or last work contact point.

CHANGES IN PROVISION AFTER ADOPTION

If, after adoption by the Board of Supervisors of all or part of the provisions contained herein, the Board of Supervisors proposes to amend any said provisions, then at least thirty (30) calendar days written notice shall be given to the Union and an opportunity shall be given to the Union to meet and confer with representatives of the District concerning any proposed change in provisions.

COMPANY OFFICER CERTIFICATION PAY

Effective pay period 23/2017 (i.e., the pay period beginning on October 14, 2017), all employees who are certified by the California Office of the State Fire Marshal (OSFM) as a Company Officer shall receive Company Officer Certification pay. Employees must submit a Company Officer Certificate from the California OSFM to receive Company Officer Certification pay. The compensation shall be in the amount of fifty dollars ($50.00) per month ($23.08 per pay period). Effective pay period 23/2018 (i.e., the pay period beginning on October 13, 2018), the compensation shall be in the amount of one hundred dollars ($100.00) per month ($46.15 per pay period).

Employees eligible for the certification pay who are not in paid status (i.e., not coding paid hours) during a pay period shall not receive the certification pay for that pay period.

DEFINITIONS

Listed below are definitions of terms commonly used in this Agreement:

Appointing Authority – Refers to the Fire Chief. It includes any person who is designated as acting Fire Chief; employees acting for the Fire Chief during absence, and/or employees delegated any authority to act on behalf of the Fire Chief on a regular basis.

Base Rate of Pay/Base Hourly Rate – Refers to the employee's base hourly wage, excluding differentials and other pay above the base hourly wage.

Board of Supervisors – Refers to the County of San Bernardino Board of Supervisors sitting as the governing body of the District.

Calendar Year - Refers to pay period 1 through 26 consecutively (or 27 when applicable).

County – Refers to San Bernardino County, a separate legal entity that contracts with the District to provide certain administrative functions to the District.

Continuous Service – Refers to the total length of service from an employee's most recent beginning (hire) date in a regular position with no separation from District employment

Date of Hire or Hire Date – Refers to the effective date of the most recent date of hire in a regular position.

Director of Human Resources – Refers to the incumbent in the County's Director of Human Resources position. It also includes any person who has been designated as acting Director of Human Resources, employees acting for the Director during absence, and/or employees delegated authority approval on a regular basis by the Director of Human Resources.

Fiscal Year – Refers to pay period 15 of one year through pay period 14 of the following year.

Paid Hours – Shall mean hours actually worked or the use of accrued leave time such as vacation, sick, holiday, or compensatory time. It does not include unpaid hours or disability payments such as Short Term Disability or workers compensation.

Paid Status – Refers to any pay period in which an employee codes paid hours.

Regular Position – Refers to a position authorized by the Board of Supervisors, that may be budgeted at full-time level, and may be in the Classified or Unclassified Service. Regular positions do not include recurrent, extra-help, ordinance, contract and other contingent positions.

Regular Status – Refers to an employee's status upon the completion of a required probationary and/or trainee period in a regular classified position in the employee's current or prior position as applicable.

Service Hours – Refers to paid hours in a regular District position from an employee's most recent date of hire and during an employee's regular tour of duty, up to 112 hours per pay period. Time without pay, disability payments, Medical Emergency Leave, and overtime hours do not count as service hours.

Working Days – Refers to the days that the District is normally open to conduct business, i.e. Monday through Friday, excluding District holidays.

DEMOTIONS

A demotion is the appointment of an employee from an incumbent position to a position in a different classification for which the maximum rate of pay is lower. An employee demoted for disciplinary reasons shall be placed on the step within the base salary range of the class to which demoted as provided in the Order of Demotion.

An employee demoted for non-disciplinary reasons may be retained at the same salary rate, provided, that the salary rate does not exceed the top step of the salary range of the demoted class, except that such an employee may be placed on an "X" step in accordance with the provisions of the Article on "Downgradings," with the approval of the Fire Chief and the Director of Human Resources.

DEPENDENT CARE ASSISTANCE PLAN

The purpose of Section 125 Dependent Care Assistance Plan (DCAP) is to permit eligible employees to make an election to pay certain dependent care expenses with salary reduction from compensation contributed to the Plan before federal income or social security taxes are paid to the Internal Revenue Service ("Salary Reduction") in accordance with Sections 125 and 129 of the Internal Revenue Code (IRC) of 1986 and regulations issued pursuant thereto. DCAP shall be construed to comply with said Code Sections and to meet the requirements of any other applicable provisions of law. DCAP exclusions from gross income do not affect compensation for retirement purposes.

DCAP will be administered by County's Human Resources Department Division Chief, Employee Benefits, and Services consistent with said IRC Section and the County's Dependent Care Assistance Plan Document.

(a) To be eligible to enroll in this benefit, an employee must be in a regular position.

(b) Enrollment in the Plan for current employees is required every Plan Year and is limited to the annual open enrollment period or no later than sixty (60) days following the date of becoming eligible due to a mid-year Change in Status event. Failure to submit participation agreement within the time frame shall result in an election to not participate in the Plan.

(c) An employee must elect to contribute to DCAP through salary reduction on forms approved by the Human Resources Division Chief, Employee Benefits & Services. An employee election to participate shall be irrevocable for the remainder of the plan year. Once a salary reduction has begun, in no event will changes in elections be permitted during the Plan Year, except to the extent permitted under Internal Revenue Service rulings and regulations and the County's Dependent Care Assistance Plan Document.

(d) Pursuant to IRC Section 125, any amounts remaining in the employee's account at the end of the Plan Year must be forfeited. The District will use any forfeited amounts to help defray the Plan's administrative expenses.

DISTRICT MANAGEMENT RIGHTS

All management rights shall remain vested exclusively with the District except those which are clearly and expressly limited or explicitly eliminated by this Agreement. Management retains as its rights anything not specifically covered in this Memorandum of Understanding. It is recognized merely by way of illustration that such management rights include, but are not limited to:

(a) The right to determine the mission of its constituent districts, boards, commissions, and work units.

(b) The right of full and exclusive control of the management of the district; supervision of all operations; determination of the methods, means and personnel required to perform any and all work; and composition assignment, direction, location, and determination of the size of the work force.

(c) The right to determine the work to be done by the employees.

(d) The right to change or introduce new or improved operations, methods, means, equipment or facilities.

(e) Subject to the Personnel Rules for Board-governed Special Districts, the right to prescribe qualifications for employment and determine whether they are met; to hire, set and enforce performance standards, and promote employees; to work time and time off; to transfer, reassign, furlough and lay off employees; to determine the content of job classifications; to suspend, reduce in step, demote, discharge or otherwise discipline employees for cause; and, to otherwise maintain orderly effective and efficient operations.

DOWNGRADINGS

When a position is downgraded because of decreased responsibility or difficulty, the Director of Human Resources may authorize continuation of the same salary payment to the incumbent employee that the employee received prior to the downgrading of the position by placing the employee on an "X" step, provided that the employee shall receive no future salary increase until the salary rate of the position held exceeds the "X" step.

ELIGIBILITY LIST

An eligibility list is an arrangement of applicants qualified as a result of the examination process. Except as otherwise provided for the in the Personnel Rules for Board-Governed Special Districts, all selection interviews shall be conducted and appointments made from applicants qualifying on an eligibility list. All eligibility lists shall terminate one hundred and eighty (180) calendar days after established; however, upon the recommendation of the Fire Chief, and with the approval of the County Director of Human Resources, eligibility lists may be extended or reactivated for a period not to exceed one (1) year from the first date they were established.

EMPLOYEE RIGHTS

Employees shall have all the rights guaranteed by the Meyers-Milias-Brown Act which may be exercised in accordance with current and future applicable Federal, State and Local laws and regulations.

FLEXIBLE SPENDING ACCOUNT

The purpose of this Section 125 Medical Expense Reimbursement Flexible Spending Account (FSA) is to permit eligible employees to make an election to pay for qualifying medical care expenses, as determined by Section 213 of the Internal Revenue Code of 1986 (IRC), on a pre-tax basis by salary reduction in accordance with Sections 125 and 105(b) of the IRC and regulations issued pursuant thereto. FSA shall be construed to comply with said Code Sections and to meet the requirements of any other applicable provisions of law. FSA exclusions from gross income do not affect compensation for retirement purposes.

FSA will be administered by the County's Human Resources Department, Employee Benefits and Services Division, consistent with said IRC Sections and the County's Medical Expense Reimbursement Plan Document.

(a) To be eligible for this benefit, an employee must be in a regular position.

(b) Enrollment in the Plan for current employees is required every Plan Year and is limited to the annual open enrollment period or no later than sixty (60) days following the date of becoming eligible due to a mid-year Change in Status event.

(c) Eligible employees may contribute, on a pre-tax basis, to a flexible spending account, each bi-weekly pay period a minimum of $5.00 and up to the established amount pursuant to the IRC annual maximum. An employee election to participate in the Plan shall be irrevocable for the remainder of the Plan year. Once a salary reduction has begun, in no event will changes to elections or discontinuation of contributions be permitted during the Plan year except to the extent permitted under Internal Revenue Service rulings and regulations and with the County's Plan Document.

(d) Any unused amounts remaining in an employee's account at the end of the Plan Year must be forfeited except that the County may permit an employee to carry over unused amounts to be used in the following Plan Year in accordance with the County's Medical Expense Reimbursement Plan Document and the IRC regulations. The County will use any forfeited amounts to help defray the Plan's administrative expenses.

GRIEVANCE PROCEDURE

Section 1. Purpose

The District and Union recognize the importance of a viable means of resolving disputes which may arise between District employees, supervisors, and management. The procedure is intended to establish a systematic means for processing a grievance and for obtaining answers and decisions regarding employee complaints. The initiation of a grievance in good faith by an employee shall not cast any adverse reflection on the employee's standing with immediate supervisors or loyalty as a District employee.

Section 2. Definition of a Grievance

A grievance is a disagreement between District management and an employee, groups of employees or the Union concerning the interpretation, application, or violation of a specific article(s) of this Memorandum of Understanding. The union may not independently submit or process a formal grievance unless it alleges that at least one (1) employee within the Unit has suffered detriment as a result of the aggrieved contract provision.

Section 3. Exclusions

All matters are excluded from this proposal which deal with the Article on "District Management Rights" federal or state statutes, rules or regulations; District Personnel Rules, or which are preempted by County Charter. Grievance matters are excluded where law provides more appropriate and speedy remedy.

Section 4. Consolidation of Grievances

In order to avoid the necessity of processing numerous similar grievances at one time, similar grievances shall be consolidated whenever possible.

Section 5. Representation

Aggrieved employee(s) may represent themselves or may be represented by the Union. This representation may commence at any step in the grievance procedure. No person hearing a grievance need recognize more than one representative for any employee at any one time.

Section 6. Time Limitations

Time limitations are established to settle a grievance quickly. Time limits may be modified by written agreement of the parties. If at any step of this grievance procedure, the grievant is dissatisfied with the decision rendered, it shall be the grievant's responsibility to initiate the action which submits the grievance to the next level of review within the time limits specified. Failure to submit the grievance within the time limits imposed shall terminate the grievance process and the matter shall be considered resolved. The grievant shall promptly proceed to the next step if a reviewing official does not respond within the time limits specified.

Section 7. Steps in the Grievance Procedure

The procedures outlined herein constitute the informal and formal steps necessary to resolve an employee's grievance. The presentation of the informal grievance is an absolute prerequisite to the institution of a formal grievance. The grievance must be submitted within twenty-one (21) calendar days after the employee is aware of the conditions precipitating the grievance.

(a) Informal Grievance Disposition. Initially, the employee having a grievance shall personally discuss the complaint with the immediate supervisor informally. At this step, it is the responsibility of the employee to inform the supervisor that he/she is initiating the grievance process. Within four (4) calendar days, the supervisor, after conferring with the Battalion Chief (Division Chief if the grievant is a Captain) shall give the decision to the employee orally.

(b) Human Resources Division Review. If a mutually acceptable solution has not been reached in Step 1, the grievant shall submit the grievance in writing on appropriate forms supplied by the Human Resources Division which shall provide, in order to be considered, a detailed statement of the grievance, including the date of occurrence, names of witnesses or individuals involved, location, applicable Agreement articles alleged to have been violated, date discussed with immediate supervisor, and the specific remedy or action requested. The written grievance shall be filed with the Director of Human Resources or designee within fifteen (15) calendar days of oral notification of the immediate supervisor's decision. The Director of Human Resources or designee, shall make a determination of whether the grievance is a matter for which the Grievance Procedure is appropriate. In making such determination, the Director of Human Resources, or designee, shall determine if: (1) the grievance has been filed in a timely manner; (2) the informal grievance process has been followed, (3) the employee became aware of the inequity or damage suffered, specific details of inequity or damage suffered; dates; names; and places), (4) if the grievance alleges that a specific Memorandum of Understanding article(s) has been misinterpreted, misapplied, or violated, and (5) the matter complained of in the grievance is covered by a specific provision of the Agreement.

The determination and notification to the grievant and Local 935 will be made within seven (7) calendar days of receipt of the grievance. If the Director of Human Resources Division, or designee, determines that the grievance is not subject to this procedure, the employee or Local 935 may appeal this decision directly to an arbitrator, in accordance with the provisions of this procedure, within seven (7) calendar days of the receipt of the Human Resources Manager, or designee's written decision. If the arbitrability of the grievance is in dispute, the arbitrator shall render a decision on the arbitrability of the dispute prior to scheduling a hearing on the merits of the grievance.

(c) Formal Grievance Procedure.

1. Step 1. If the grievance is accepted, the grievant shall, within seven (7) calendar days, submit the grievance to the Division Chief. The Division Chief, after conferring with the Assistant Chief, shall meet with the grievant

and thoroughly discuss the grievance prior to issuing any response to the employee. Within four (4) calendar days, the Division Chief shall give the written decision to the employee on the appropriate form. If the Division Chief fails to reply within this time period, or issues a decision which is unsatisfactory to the employee, the employee may proceed to Step 2 of the formal grievance procedure.

2. Step 2. Within fourteen (14) calendar days after the Division Chief's response, the employee or employee representative may submit the written grievance to the Fire Chief. Within seven (7) calendar days after receipt of the grievance, the Fire Chief will call for a conference to allow for full discussion of the grievance with the parties involved and their representatives. Within fourteen (14) calendar days of the meeting, the Fire Chief must give a written decision on the appropriate form. If the employee is not satisfied with the decision of the Fire Chief, the employee may proceed to the next step.

3. Step 3. Within seven (7) calendar days after the Fire Chief's response, the employee shall submit the written grievance on the appropriate form to the Director of Human Resources or designee. The grievance shall state that a resolution of the issue was unattainable through the informal and formal procedures through Step 2, and that the formal hearing is now requested. Within fourteen (14) calendar days of receiving the grievance, the Director of Human Resources or designee, in concert with the Union, shall initiate the selection of a hearing officer as stated in the Article "Hearing Officer." The Hearing Officer shall conduct a formal hearing on the grievance within thirty (30) calendar days of appointment, in accordance with Section (8) of this procedure, unless the parties mutually agree to extend the time period.

Section 8. Grievance Hearing

The following guidelines shall be adhered to in all grievance hearings conducted by the Hearing Officer.

(a) Hearings will be conducted within thirty (30) calendar days after the appointment of said Hearing Officer, unless the parties agree to a date beyond the thirty (30) day period.

(b) The Hearing Officer shall require all witnesses to testify under oath or affirmation. The oath shall read:

"Do you solemnly swear (or affirm) that the testimony you are about to give in this matter shall be the truth, the whole truth, and nothing but the truth, so help you God?"

(c) A hearing date will be scheduled by the Director of Human Resources or designee in consultation with the Hearing Officer, the grievant, and if appropriate, the employee representative. Written notice stipulating the time and place of the hearing will be provided to all parties.

(d) Grievants will appear before the Hearing Officer to present their individual grievances. If the grievant does not appear, the Hearing Officer will make a decision on the information available at the time of the hearing.

(e) Each party to the grievance shall have these rights: to call and examine witnesses; to introduce exhibits; to cross examine opposing witnesses on any matter relevant to the issues, even though the matter was not covered on direct examination; to impeach any witness regardless of which party first called the witness to testify; and to rebut the evidence. If the grievant does not testify in his own behalf, he may be called and examined as if under cross examination.

The hearing need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence upon which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule, which might make improper the admission of such evidence over objection in civil actions. The rules of privilege shall be effective to the same extent that they are commonly recognized in civil actions. Irrelevant and unduly repetitious evidence shall be excluded.

(f) Decisions of the Hearing Officer shall be binding on all parties unless there is a financial impact on the District, in which case the decisions shall be subject to approval of the Board of Supervisors. Written decisions of the Hearing Officer shall be submitted to the Director of Human Resources, the grievant, and, if appropriate, the employee representative, within thirty (30) calendar days after the close of hearing.

(g) All costs associated with the Hearing Officer, including but not limited to a Certified Shorthand Reporter, will be shared equally between the parties, unless the Union does not endorse the member's grievance or disciplinary appeal. If this is the case, the member, not the Union, will be financially responsible to share the costs.

HAZARDOUS MATERIALS EXPOSURE RECORDS

The District shall pay the annual membership fee for each safety employee to participate in the State's record keeping system of personal exposure to hazardous materials.

HEARING OFFICER

Pursuant to the Article on "Grievance Procedure," Section 7, Step 3(b), and all disciplinary action appeals, the Hearing Officer shall be selected by the Director of Human Resources and the Union. The parties will request the State Mediation and Conciliation service, or mutually agreed upon service, to supply a list of five (5) hearing officers. As determined by lot, the parties shall alternatively strike a name until one (1) hearing officer remains. The parties may agree to select a hearing officer without the use of a formal list. Said hearing officer will be officially appointed by the Director of Human Resources as the Hearing Officer who shall hear the appeal and formulate a written decision. All costs associated with the Hearing Officer including, but not limited to, a Certified Shorthand Reporter, will be shared equally between the parties, unless the Union does not endorse the members' grievance or disciplinary appeal. If this is the case, the individual, not the Union, will be financially responsible to share the costs.

IMPLEMENTATION

Any changes to this Memorandum of Understanding, which do not have specific effective dates, become effective on the date of Board of Directors approval. Any economic changes to this Memorandum of Understanding, which do not have specific effective dates, become effective the beginning of the pay period following Board of Directors approval.

INCIDENT ACCOMODATIONS

In the interest of the health and safety of District employees assigned for extended periods to emergency incidents, the District authorizes the use of motels and other comparable facilities for sleeping or freshening up. The use of these facilities will be administered in accordance with department policy.

LAYOFF

The layoff provision shall be provided in the Personnel Rules for Board-Governed Special Districts employees adopted by the Board of Supervisors.

LEAVE PROVISIONS

Section 1. Vacation

(a) Definition. Vacation leave is a right, earned as a condition of employment, to a leave of absence with pay for the recreation and well-being of the employee. Under unusual circumstances, vacation leave may be used for sick leave purposes upon a special request of the employee and with the approval of the Division Chief.

(b) Accumulation. Employees in regular positions shall accrue, on a pro rata basis, vacation leave for completed pay periods. Such vacation leave allowance shall be available for use on the first day following the pay period in which it is earned, provided an employee has completed thirteen (13) pay periods or its equivalent of continuous service from the employee's hire date.

(c) Vacation Leave Allowance.

Length of Service From Hire Date	Hours Per Year/Accrual Rates Per Pay Period	Maximum Allowed Unused Balance
After 13 & through 104 pay periods	112 hours/4.31	224 hours
Over 104 & through 234 pay periods	168 hours/6.46	336 hours
Over 234 pay periods	224 hours/8.61	448 hours

(d) Vacation leave should be taken annually with the approval of the Division Chief at such time as will not impair the work schedule or efficiency of the department, but

with consideration given to the well-being of the employee. No employee shall lose earned vacation leave time because of work urgency. If an employee has reached the maximum allowed unused balance and is unable to take vacation leave due to work urgency, the Director of Human Resources or designee will approve a waiver of the maximum allowed unused balance for a period not to exceed thirteen (13) pay periods.

(e) The minimum charge against accumulated vacation leave shall be one (1) hour. After one (1) hour, the minimum charge shall be in fifteen (15) minute increments. Vacation shall be compensated at the employee's base rate of pay.

(f) Employees not planning to return to District employment at the expiration of a vacation leave, except those retiring, shall be compensated at their base rate of pay in a lump sum payment for accrued vacation leave and shall not be carried on the payroll. Retiring employees may elect to use vacation leave or be compensated in a lump sum payment for accrued vacation leave. Terminating employees not covered by the above provisions shall be compensated at their base rate of pay for accrued vacation leave that they were entitled to use as of the date of termination.

(g) An employee may elect to sell back accrued vacation leave up to a maximum of one hundred and twelve (112) hours at the then current base rate of pay. Employees may exercise this option under procedures established by the Human Resources Department. In lieu of cash, an eligible employee may designate that part or all of the value of vacation time to be sold back is allocated to a deferred income plan if such a plan is approved by the District and credit for vacation time is allowed under the plan. In order to sell back vacation leave prior to termination or retirement, an employee may exercise the following options.

1. Option 1 – Future Accruals. On one occasion each calendar year an employee who had used one hundred and twelve (112) or more hours of vacation leave during the preceding calendar year may elect to convert up to one hundred and twelve (112) hours of accrued vacation leave into a cash payment, at the base rate of pay in effect at the time of the cash-out. In order to sell back vacation leave, an employee must make an irrevocable election (i.e., pre-designation) during the month of December (beginning in December of 2015), specifying the number of hours to be sold back from the next year's vacation leave accrual. During the calendar year following the pre-designation, no more than three (3) requests may be made to cash out the vacation leave in a single block of not less than fourteen (14) hours and no more than one hundred and twelve (112) hours. An employee shall be eligible to cash-out vacation leave hours accrued up to the preceding pay period in which he/she requested the cash-out. For example, an employee who requests a cash-out in pay period 15 can only cash-out the vacation leave accrued through pay period 14. The number of hours requested for cash-out shall not exceed an amount equal to or less than the amount accrued. For example, an employee in December 2015 makes a pre-designation to cash-out 28 hours. The employee accrues 4.31 hours of vacation leave per pay period. At the end of pay period 5 the employee can request to cash-out the 17 hours of vacation leave that he had accrued through pay period 4, but is not yet eligible to cash-out the entire 28 pre-designated hours because the employee has yet to accrue 28 hours of vacation leave.

Once an election is made, if the employee does not request that the designated number of hours be sold back by pay period 25 of the calendar year in which the election is effective, the hours will be automatically converted to cash in pay period 26.

2. Option 2 – Existing Accruals. Existing accruals may be cashed out in whole hour increments with a minimum of fourteen (14) hours and a maximum of one hundred and twelve (112) and will be subject to a ten percent (10%) penalty.

Section 2. Sick Leave

(a) Definition. Sick leave with pay is an insurance or protection provided by the District to be granted in circumstances of adversity to promote the health of individual employees. It is not an earned right to time off from work. Sick leave is defined to mean the authorized absence from duty of an employee because of physical or mental illness, injury, pregnancy related illness, confirmed exposure to a serious contagious disease, or for a medical, optical, or dental appointment.

(b) Bereavement Leave. A maximum of seventy-two (72) hours earned sick leave may be used, per occurrence, for bereavement due to the death of persons in the immediate family, or any relative living with the employee.

(c) Attendance Upon Family Members. A maximum of sixty-seven (67) hours or one-half of their annual accrual, whichever is less, earned sick leave per fiscal year may be used for attendance upon the members of the employee's immediate family who require the attention of the employee. Immediate family as used in paragraphs (b) and (c) herein, is defined as parent, spouse, child, domestic partner, or child of a domestic partner as defined by California Family Code Section 297. Upon approval of the Fire Chief, or designee, the employee may use part of this annual allowance for attendance upon members of the employee's extended family residing in the employee's household, who require the attention of the employee. Extended family as used in (b) and (c) herein is defined as grandchild, grandparents, brother, sister, mother-in-law, father-in-law, daughter-in-law, son-in-law, aunt, uncle, nephew, niece, foster child, ward of the court, or any step relations as defined herein.

(d) Accumulation. Employees in regular positions shall accrue sick leave for each payroll period completed, prorated on the basis of one hundred thirty-four (134) hours per year, or five point fifteen (5.15) hours per pay period. Earned sick leave shall be available for use on the first day following the pay period in which it is earned, provided that an employee must have completed thirteen (13) pay periods or its equivalent of continuous service from the employee's hire date. Sick leave shall be accumulated to the maximum of one thousand nine hundred thirty-six (1,936) hours.

Employees in regular positions scheduled for less than one hundred twelve (112) hours per pay period, shall receive sick leave accruals and maximum accumulations on a pro-rated basis.

(e) Compensation. Approved sick leave with pay shall be compensated at the employee's base rate of pay. The minimum charge against accumulated sick leave shall be one (1) hour.

(f) Administration.

1. Investigation – It will be the responsibility and duty of the Fire Chief or designee to investigate each request for sick leave and to allow sick leave with pay where the application is determined to be proper and fitting, subject to approval of the Fire Chief or designee.

2. Sickness – The Fire Chief or designee needs to be notified at least one (1) hour prior to the start of the employee's scheduled tour of duty of a sickness on the first day of absence. It is the responsibility of the employee to keep the Fire Chief or designee informed as to continued absence beyond the first day for reasons due to sickness. Failure to make such notification may result in denial of sick leave with pay.

3. Review – The Director of Human Resources or designee may review and determine the justification of any request for sick leave with pay and may, in the interest of the District, require a medical report by a doctor to support a claim for sick leave pay.

4. Proof - A doctor's certificate or other adequate proof of illness shall be provided by the employee when requested by the Division Chief or Director of Human Resources or designee. An employee providing an off work order from a physician shall also provide a physician's written statement of release to return to work.

5. Improper Use – Evidence substantiating the use of sick leave for trivial indispositions, instances of misrepresentation, or violation of the rules defined herein shall be construed as grounds for disciplinary action including termination or such other action as may be deemed proper and necessary by the Fire Chief.

6. Misconduct – Sick leave with pay may be denied if the absence is found to be due to willful injury, gross negligence, intemperance, or improper conduct on the part of the employee.

(g) Sick Leave for Other than Personal Illness/Injury:

1. Birth/Adoption – A maximum of seventy-two (72) hours earned sick leave may be used per occurrence for the birth of a child or arrival of an adoptive child at the employee's home. An employee (father) may utilize on an annual basis no more than seventy-two (72) hours of accumulated sick leave per calendar year for the birth of his child.

2. Medical, Optical or Dental Appointments – The employee may use sick leave for medical, dental or optical appointments; however, every effort should be made to schedule the appointments at a time of day that will minimize the employee's time off work.

(h) Return-to-Work Medical Clearance:

1. Under the following circumstances, all employees who have been off work due to an illness or injury will report to the San Bernardino County Center for Employee Health and Wellness for a medical evaluation of their condition and authorization to return to work before returning to work.

   a. Employees whose treating physician or other qualified medical provider has ordered job modification(s) as a condition for either continuing to work or for returning to work after an illness or injury. This applies to both occupational and non-occupational illness or injury.

   b. Employees who have been off work due to communicable diseases such as, but not limited to, chicken pox and measles.

   c. Employees who have been absent on account of a serious medical condition, when so directed by their appointing authority, and with concurrence of the San Bernardino County Center for Employee Health and Wellness.

2. Employees are required to attend return-to-work medical appointments at the Center for Employee Health and Wellness on their own time; however, mileage for attending such appointments are eligible for reimbursement pursuant to the Expense Reimbursement Article.

3. It is the responsibility of the employee, covered by (1) (a.) - (c.) above, to obtain written notice from their medical provider of their authorization to return to work with or without job modification. To ensure all necessary and relevant medical information is provided, the District shall make available forms to be completed by the medical provider. It is the responsibility of the employee to provide verbal notice to their Appointing Authority immediately upon receipt of their medical provider's authorization to return to work, and no later than 24 hours after receipt of the notice. The Appointing Authority or designee will schedule an appropriate medical evaluation for the employee with the Center for Employee Health and Wellness prior to the employee's return to work. The employee shall provide their medical provider's written notice of authorization to return to work to the Center for Employee Health and Wellness at or prior to the employee's scheduled appointment time.

4. Exceptions to the above requirements may be made on a case-by-case basis by the Medical Director or designee for the Center for Employee Health and Wellness.

5. The employee is obligated to attend the appointment as scheduled under the conditions outlined above. If the employee fails to adhere to the procedure, the employee is required to use sick leave or leave without pay for any work hours missed. If required notice has been provided, and there is a delay between the employee's appointment with the Center for Employee Health and Wellness and the start of his/her scheduled tour of duty on the day that

he/she was released to return to work, the District will pay for work hours missed, without charge to the employee's leave balances.

6. The final decision on the employee's ability to return to work rests with the medical provider at the Center for Employee Health and Wellness. In the event the employee is not released to return to work by the medical provider at the Center for Employee Health and Wellness, the employee's status would continue on sick leave or, where there is no balance, leave without pay.

(i) Workers' Compensation. As provided in Section 4850 of the Labor Code, an employee in this Unit who is injured in the line of duty is entitled to full salary in lieu of workers' compensation benefits and sick leave for a period not to exceed one (1) year. After the employee has used one (1) full year of such 4850 time, said employee may use accumulated sick leave with pay, with the approval of the appointing authority, to augment temporary disability payments if said employee is still temporarily disabled by order of an accepted physician under the Workers' Compensation sections or until said employee is retired.

(j) Conversion of Sick Leave for Education Use. Employees may transfer accrued sick leave hours to a personal educational bank account on any of the following basis:

1. Any balance over fifty percent (50%) of the total annual accrued sick leave for the prior calendar year.

2. Any balance over seventy-five percent (75%) of the total lifetime accrued sick leave on the books at the end of the calendar year.

3. All accrued sick leave over 1,000 hours at the end of the prior calendar year.

The value of the educational bank shall be determined at the time of usage for education courses at the then current hourly rate multiplied by the number of hours to be used for educational courses. The maximum dollar amount that can be reimbursed to an employee for educational use is $2,500 per year. Employees may only be reimbursed for courses approved by the Fire Chief, or designee, in which they receive a grade of C or better, or if no grade is given the employee records a "pass" or "complete" or other such equivalent grade. Employees may transfer educational bank hours to their sick leave accounts for sick leave purposes.

Section 3. Holiday Leave

(a) Definition. Holiday leave is a right, earned as a condition of employment, to a leave of absence with pay for the recreation and well-being of the employee. Under unusual circumstances, holiday leave may be used for sick leave purposes upon a special request of the employee with the approval of the Division Chief.

(b) Accumulation. Employees in regular positions shall accrue, on a pro-rated basis, holiday leave for completed pay periods. Such holiday leave allowance shall be available for use on the first day following the pay period in which it is earned, provided an employee has completed thirteen (13) pay periods or its equivalent of continuous service from the employee's hire date. Employees in regular positions scheduled for less than one hundred twelve (112) hours per pay period shall receive holiday leave accruals and maximum accumulations on a prorated basis.

Hours Per Year/Accrual Rates Per Pay Period	Maximum Allowed Unused Balance
155 hours/5.96	310 hours

(c) Administration.

1. Holiday leave should be taken annually with the approval of the Division Chief at such time as will not impair the work schedule or efficiency of the department, but with consideration given to the well-being of the employee. No employee shall lose earned holiday leave time because of work urgency. If an employee has reached the maximum allowed unused balance and is unable to take holiday leave due to work urgency, the Director of Human Resources or designee will approve a waiver of the maximum allowed unused balance for a period not to exceed thirteen (13) pay periods.

2. The minimum charge against accumulated holiday leave shall be one (1) hour, after one (1) hour, the minimum charge shall be in fifteen (15) minute increments. Holiday leave shall be compensated at the employee's base rate of pay.

3. Employees not planning to return to District employment at the expiration of a holiday leave, except those retiring, shall be compensated at their base rate of pay in a lump sum payment for accrued holiday leave and shall not be carried on the payroll.

   Retiring employees may elect to use holiday leave or be compensated in a lump sum payment for accrued holiday leave.

   Terminating employees not covered by the above provisions shall be compensated at their base rate of pay for accrued holiday leave that they were entitled to use as of the date of termination.

4. Employees may elect to sell back accrued holiday leave up to a maximum of one hundred fifty-five (155) hours at the then current base rate of equivalency. Employees may exercise this option under procedures established by the Director of Human Resources or designee. In lieu of cash, the eligible employee may designate that part or all of the value of holiday time to be sold back be allocated to a deferred income plan, if such

a plan is approved by the District and credit for holiday time is allowed under the plan.

In order to sell back holiday time prior to termination or retirement, an eligible employee may exercise the following options:

a. Option 1-Future Accruals. An employee may elect to convert up to one hundred and fifty-five (155) hours of accrued holiday leave into a cash payment, at the base rate of pay in effect at the time of the cash-out.

   In order to sell back holiday leave, an employee must make an irrevocable election (i.e., pre- designation) during the month of December, specifying the number of hours to be sold back from the next year's holiday leave accrual. During the calendar year following the pre- designation, no more than three (3) requests may be made to cash out the holiday leave in a single block of not less than fourteen (14) hours and no more than one hundred and fifty-five (155) hours.

   An employee shall be eligible to cash-out holiday leave hours accrued up to the preceding pay period in which he/she requested the cash-out. For example, an employee who requests a cash- out in pay period 15 can only cash-out the holiday leave accrued through pay period 14.

   The number of hours requested for cash-out shall not exceed an amount equal to or less than the amount accrued. For example, an employee in December 2015 makes a pre-designation to cash-out 80 hours. The employee accrues 5.96 hours of holiday leave per pay period. At the end of pay period 9 the employee can request to cash-out the 40 hours of holiday leave that he had accrued through pay period 8, but is not yet eligible to cash-out the entire 80 pre- designated hours because the employee has yet to accrue 80 hours of holiday leave.

   Once an election is made, if the employee does not request that the designated number of hours be sold back by pay period 25 of the calendar year in which the election is effective, the hours will be automatically converted to cash in pay period 26.

b. Option 2-Existing Accruals. Existing accruals may be cashed out in whole hour increments with a minimum cash out of forty (40) hours and will be subject to a ten percent (10%) penalty.

5. Existing accumulated holiday time as of January 1, 1978 shall not be affected by this section.

6. Employees hired prior to April 2, 1973, in CSA 70k with grandfathered holiday time banked shall upon termination of employment have the total amount of banked grandfathered holiday time paid to them in full at their current rate of salary. Employees with banked grandfathered holiday time cannot use this time during employment for any reason or purpose.

Section 4. Military Leave

As provided in the California Military and Veterans Code Section 395 et seq., and any amendment thereto, and the federal Uniformed Services Employment and Reemployment Rights Act of 1994, a District employee, regular, extra-help, or recurrent may be entitled to the following rights concerning military leave:

(a) Definition – Military leave is defined as the performance of duty on a voluntary or involuntary basis in a uniformed service under competent authority and includes active duty, active duty for training, initial active duty for training (weekend drills), full-time National Guard duty, and a period for which an employee is absent for the purpose of an examination to determine the fitness of the person to perform any such duty.

(b) Notice and Orders – All employees shall provide advance notice of military service unless military necessity prevents the giving of notice or the giving of notice is impossible or unreasonable. Where available, copy of military orders must accompany the request for leave.

(c) Temporary Active Duty – Any employee who is a member of the reserve corps of the Armed Forces, National Guard, or Naval Militia shall be entitled to temporary military leave of absence for the purpose of active military training provided that the period of ordered duty does not exceed one hundred eighty (180) calendar days, including time involved in going to and returning from such duty. While on paid status, an employee on temporary military leave shall receive the same vacation, holiday, and sick leave, step advances and benefits that would have been enjoyed had the employee not been absent, providing such employee has been employed by the District for at least one (1) year immediately prior to the date such leave begins. In determining the one (1) year employment requirement, all time spent in recognized military service, active or temporary, shall be counted. An exception to the above is that an uncompleted probationary period must be completed upon return to the job. Any employee meeting the above one (1) year employment requirement shall be entitled to receive their regular salary or compensation, pursuant to Section (e) of this Article.

(d) Full-Time Active Duty – Employees who resign from their positions to serve in the Armed Forces for more than one hundred eighty (180) days, shall have a right to return to their former classification upon serving written notice to the appointing authority, no later than ninety (90) days after completion of such service. Returning employees are subject to a physical/psychological examination.

Should such employee's former classification have been abolished, then the employee shall be entitled to a classification of comparable functions, duties, and compensation if such classification exists, or to a comparable vacant position for which the employee is qualified.

The right to return to former classification shall include the right to be restored to such civil service status as the employee would have if the employee had not so resigned; and no other person shall acquire civil service status in the same position so as to deprive such employee of this right to restoration.

Eligible employees are also entitled to the reemployment and benefit rights as further described in the Uniformed Services and Employment and Reemployment Rights Act, 38 U.S.C. Sections 4301-4333. Specifically, a returning employee will receive restoration of original hire date, salary step, vacation accrual rate, sick leave balance (unless the employee has received payment for unused sick leave in accordance with provisions contained herein), the retirement plan contribution rate and retirement system contributions (provided the employee complies with any requirements established by the Retirement Board). However, such employee will not have accrued vacation, sick leave, or other benefit while absent from District employment, except as provided in the temporary duty provision.

(e) Compensation – This provision does not include an employee's attendance for inactive duty, commonly referred to as weekend reserve meetings or drills. Employees must use their own time to attend such meetings. Should the meetings unavoidably conflict with an employee's regular working hours, the employee is required to use vacation or holiday leave, leave without pay, or make up the time. Employees who are called in for a medical examination to determine physical fitness for military duty must also use vacation leave, leave without pay, or make up the time. Employees cannot be required to use their accrued leave. Any employee meeting the requirements in (c) and (d) shall be entitled to receive their regular salary or compensation for the first thirty (30) calendar days of any such leave. Pay for such purposes shall not exceed thirty (30) days in any one fiscal year and shall be paid only for the employee's regularly scheduled workdays that fall within the thirty (30) calendar days.

(f) Extension of Benefits – The District recognizes the increased requirements of the military due to the current threats facing the United States of America and, as such, has established a program under which employees may be eligible for an extension of benefits. Employees who are called to active duty as a result of the activation of military reservists beginning in September 2001, and who are eligible to receive the thirty (30) calendar day military leave compensation, and meet the requirements established by the Board shall receive the difference between their base District salary and their military salary starting on the 31st calendar day of military leave. The difference in salary may be extended when expressly approved by the Board of Supervisors. During any period extended, the District will continue to provide the employee the benefits and all leave accruals as was provided prior to such active duty. Retirement contributions and credit will be granted if the employee had enough pay to cover the entire contribution. If the employee does not get enough pay to cover the retirement contribution, no contribution or credit will be given. Employees should note that the Accidental Death and Dismemberment (AD&D) plan contains a war exclusion.

If the employee becomes eligible for full District payment for the first 30 days of military leave provided in (e) of this Article, the extended payments provided under this Section shall be suspended and shall be continued after the 30 days compensation has been completed.

No compensation shall be paid beyond the 30-day leave period, unless such compensation is expressly approved by the Board of Supervisors. The District may unilaterally extend the benefits of this subsection upon the approval of the Board of Supervisors.

(g) Vacation and Military Leave – Employees shall not be permitted to take vacation or other accrued leave in lieu of the military leave provisions provided in Section (c) of the Article. Employees may elect to use accrued leave time, except sick leave, in lieu of the integrated pay in Section (f) of this Article under the following conditions:

1. The employee must decline in writing the benefits of Section (f) of this Article prior to the due date of the Time and Labor Report (TLR). The employee must include the dates for which he/she is declining the benefit.

2. The employee must use accrued leave time for the entire pay period (i.e., District pay will not be integrated with military pay for partial pay periods).

3. Such written declination cannot be revoked or amended at a later date for a pay period for which the TLR has already been submitted.

4. Benefits, leave accruals, and pay will be administered per normal procedures for vacation pay; no additional benefits otherwise granted under this Article will be available.

Employees may elect to use accrued leave time, except sick leave, once all paid benefits have been exhausted.

Section 5. Compulsory Leave

If, in the opinion of the Fire Chief, an employee is unable to work for physical or psychological reasons, the Fire Chief may require the employee to take a medical examination at the District expense. If the medical report shows the employee to be in an unfit condition to perform the duties require of the position, the Fire Chief shall have the right to compel such employee to take sufficient leave of absence with or without pay until medically qualified to return to unrestricted duty. Medical findings of the District may be challenged by not less than two (2) professional opinions from outside physicians at the employee's personal expense.

Section 6. Political Leave

Any employee who is a declared candidate for public office (i.e., a candidate who has filed the appropriate documents) shall have the right to a leave of absence without pay with or without right to return for a reasonable period to campaign for the election. Such leave is subject to the conditions governing special leaves of absence without pay under Section 7 of this Article.

Section 7. Special Leaves of Absence Without Pay

Special leave of absence without pay for a period not exceeding one (1) year may be granted to an employee who is:

(a) Medically incapacitated to perform the duties of the position.

(b) Desires to engage in a relevant course of study which will enhance the employee's value to the District.

(c) Takes a leave of absence pursuant to the Family Medical Leave Act, the California Family Right Act, and/or Pregnancy Disability Leave provisions under the Fair Employment and Housing Act (FEHA).

(d) For any reason considered appropriate by the Fire Chief and the Director of Human Resources or designee.

Such requests must be in writing and requires the approval of the Fire Chief and the Director of Human Resources or designee. Upon request, the Fire Chief and Director of Human Resources or designee may grant successive leaves of absence. Leaves of absence without pay may be given to a regular employee with or without right to return to classification. When a leave of absence with right to return is approved, notice of the actual return date shall be given to the employee. Two (2) weeks prior to such date of return, the employee shall contact the Fire Chief to determine the employee's assignment upon return.

At the expiration of leaves without right to return, employees must contact the district to have their name referred for a ninety (90) calendar day period to all job openings in their classification in the District for reemployment without examination, such time to run concurrently with the ninety (90) day period or be terminated. Leaves of absence with right to return may only be granted to employees who have obtained regular status.

Section 8. Jury Duty Leave

Employees in regular positions who are ordered/summoned to serve jury duty shall be entitled to base pay for those hours of absence from work, provided the employee waives fees for service, other than mileage. Employees are required to provide the Appointing Authority with notice of the order/summons to serve jury duty upon receipt of such summons. Such employees will further be required to deliver a "Jury Certification" form at the end of the required jury duty to verify such service. If an employee is required to report to jury duty during hours the employee is not scheduled to work (e.g., it is the employee's normal day off, the employee is off work pursuant to an FMLA, CFRA, or workers' compensation leave, the employee is not in a paid status for the pay period, etc.) the employee is not entitled to Jury Duty Leave for those hours. Employees required to serve on a jury must report to work before and after jury duty provided there is an opportunity for at least one (1) hour of actual work time. The employee will not be required to return to work if more than one (1) hour remains after the employee has completed jury duty and the employee has received prior approval from the appointing authority or designee to use appropriate leave from the employee's accrued "leave bank."

Employees called for County Grand Jury shall be granted a leave of absence without pay to perform the duties of a member of the County Grand Jury, in the same manner as provided in Section (7) of this Article.

Section 9. Witness Leave

Employees in regular positions shall be entitled to a leave of absence from work when subpoenaed to testify as a witness, such subpoena being properly issued by a court, agency, or commission legally empowered to subpoena witnesses. This benefit shall

not apply in any case in which the subpoenaed employee is a party to the action. When the subpoena has arisen within the scope of employment, the employee will be paid at their regular hourly rate of pay only for those hours actually spent in court. Witness Leave shall not be charged against any accumulated leave balances and shall be compensated at the employee's base hourly rate. Travel time and meal time shall not be considered as time spent in court and shall not be considered hours worked for purposes of overtime. If an employee is required to testify as a witness during hours the employee is not scheduled to work (e.g., it is the employee's normal day off, the employee is off work pursuant to an FMLA, CFRA, or workers' compensation leave, the employee is not in a paid status for the pay period, etc.) the employee is not entitled to Witness Leave during those hours. This benefit will be paid only if the employee has demanded witness fees at time of service of the subpoena, and such fees are turned over to the District. The employee may collect witness fees only if they waive payment by the District for time spent in court.

Section 10. Examination Time

Employees in regular positions shall be entitled to a reasonable amount of leave with pay for the purpose of applying for and taking District promotional examinations. Employees are responsible for notifying and obtaining approval from their immediate supervisor prior to taking such leave. Examination time shall not be charged against accumulated leave balances and shall be compensated at the employee's base hourly rate of pay. Employees must report to work before and after examination time provided there is an opportunity for at least one (1) hour of actual work time. The employee will not be required to return to work if more than one (1) hour remains after Examination Time and the employee has received prior approval from the appointing authority or designee to use appropriate leave from the employee's accrued "leave bank."

Section 11. Blood Donations

Employees in regular positions, who donate blood without receiving compensation for such donation, may have up to two (2) hours off with pay to recover with prior approval of the Division Chief for each such donation. This benefit shall not be charged to any accumulated leave; provided, however, if the employee is unable to work, any time in excess of two (2) hours must be charged to accumulated sick leave or taken as leave without pay. Evidence of each donation must be presented to the Division Chief to receive this benefit.

Employees in regular positions who are apheresis donors may have up to four (4) hours off with pay to recover with prior approval of the Division Chief for each such donation, provided no compensation is received for such donation. This benefit shall not be charged to any accumulated leave; provided, however, if the employee is unable to work any time in excess of four (4) hours may be charged to accumulated sick leave or be taken as leave without pay. Evidence of each apheresis donation must be presented to the Division Chief to receive this benefit.

Section 12. Failure to Return After Leave

Failure of the employee to report to work at the expiration of an approved leave of absence and who has not contacted the Fire Chief or designee within twenty-four (24) hours shall separate the employee from the service of the District and be considered, in effect, a resignation unless extenuating circumstances can be justified to the Fire Chief or Director of Human Resources or designee, who may approve additional leave.

LIFE INSURANCE

The District agrees to make available to each employee a group term life insurance program wherein the employee may purchase, through payroll deductions, term life insurance in the amounts specified in the Certificate of Insurance. New employees shall become initially eligible to participate in these programs on the first day of the pay period following the pay period in which the employee works and receives pay for 56 hours of their regularly scheduled hours. Participation will continue as long as premiums are paid timely. In the absence of sufficient earnings to cover the deduction for premiums, the employee will be given another payment option.

The District agrees to provide these benefits subject to carrier requirements as specified in the Certificate of Insurance. Selection of the insurance provider(s), and the method of computing the premiums shall be within the sole discretion of the County.

MAINTENANCE OF BENEFITS

Benefits, including present working conditions, will not be diminished. There will be no change in any matter covered by this agreement without the mutual consent of the parties. There will be no change in any matter within the scope of the representation without negotiations as required by law. Nothing in this article shall abrogate or diminish the rights of the District under the Management Rights Article of this agreement.

MAINTENANCE OF MEMBERSHIP

Employees who were not members of the Union on January 5, 1985, and any employees hired after January 5, 1985, may choose whether or not to become members. Employees who are members of the Union must maintain such membership for the duration of this Memorandum of Understanding.

Any employee who is a member of the Union and who desires to terminate membership, shall inform the District and the Union during the thirty (30) day period between sixty (60) and ninety (90) days prior to expiration of this Memorandum of Understanding. The membership of an employee who requests to terminate membership during the aforesaid period shall expire on the date of the expiration of the Memorandum of Understanding.

The Union shall defend, indemnify and hold harmless the District and its officers and employees with respect to any challenge to the validity of this Article and for any claims, lawsuits or disputes involving this Article.

MEDICAL AND DENTAL COVERAGE

Section 1 – Medical and Dental Plan Coverage

(a) All eligible employees scheduled to work fifty-six (56) hours or more per pay period in a regular position must enroll in a medical and dental plan offered by the District/County. Employees who fail to elect medical and dental plan coverage will be automatically enrolled in the medical and dental plan with the lowest bi-weekly premium rates available in the geographical location of the employee's primary residence. Medical and dental plan coverage will become effective on the first day of the pay period following the first pay period in which the employee is scheduled for and receives pay for a minimum of fifty-six (56) hours.

(b) To continue enrollment in District/County medical and dental plan coverage, an employee must remain in a regular position scheduled to work a minimum of fifty-six (56) hours in a pay period and have received pay for a minimum of fifty-six (56) hours or be on an approved leave for which continuation of medical and dental coverage is expressly provided under Section 5 of this Article, or be eligible for and have timely paid the premium for COBRA continuation coverage.

(c) Eligible employees may elect to enroll their dependents upon initial eligibility for medical and dental insurance. Thereafter, newly eligible dependents may be enrolled within sixty (60) days of obtaining eligibility status, such as birth, adoption, marriage, or registration of domestic partnership.

(d) Dependent(s) must be removed mid-Plan Year when a dependent(s) becomes ineligible for coverage under the insurance plan eligibility rules, for example, divorce, overage dependent, or termination of domestic partnership.

(e) Enrollment elections must remain in effect for the remainder of the Plan Year unless an employee experiences a mid-year qualifying event

(f) Notification of a mid-year qualifying event must be submitted to the Human Resources Employee Benefits Division in accordance with procedures adopted by the District. Employees are responsible for notifying the District within sixty (60) days of any change in eligibility for the District's plans.

(g) Premiums for coverage will be automatically deducted from the employee's pay warrant. In specific circumstances, in the absence of sufficient earnings to cover the deduction for premiums, the employee may be given another payment option. Failure to pay premiums will result in loss of coverage for the employee and/or the dependents.

Section 2 – Opt-out and Waive

Employees eligible for medical and dental plan coverage who are also enrolled in comparable group medical and/or dental plan sponsored by another employer may elect to opt-out of District sponsored medical and/or dental plan coverage (opt-out).

Employees eligible for medical and dental plan coverage who are covered by a spouse, domestic partner, or parent who is also employed with the County may elect to waive their County-sponsored medical and/or dental plan (waive).

To receive the opt-out or waive amounts of this Section the employee must be paid for a minimum of fifty-six (56) of his/her scheduled hours. For instance, an employee scheduled to work one hundred twelve (112) hours per pay period must be paid for a minimum of fifty-six (56) hours during a pay period to receive the opt-out or waive amounts.

All employees who elect to opt-out or waive District/County-sponsored medical plan coverage will receive twenty dollars ($20.00) per pay period in lieu of the Medical Premium Subsidy described below.

The rules and procedures for electing to opt-out or waive District/County-sponsored medical and dental plan coverage are established and administered by the County's Human Resources Employee Benefits and Services Division.

1. Employees may elect to opt-out or waive District/County medical and/or dental plan(s) within sixty (60) calendar days of the effective date of coverage of another employer-sponsored group plan. Proof of initial gain of other employer group coverage is required at the time the opt-out or waive is elected.

2. Employees may elect to opt-out or waive District/County-sponsored medical and/or dental plan(s) during an annual open enrollment period. All employees who are newly opting-out during an open enrollment period must provide verification of other employer group coverage.

3. Employees who voluntarily or involuntarily lose their other employer group medical and/or dental plan coverage must enroll in a District/County-sponsored medical and/or dental plan within sixty (60) calendar days. Enrollment in the District/County-sponsored medical and/or dental plan will be provided in accordance with the requirements of the applicable plan. If the employee elects not to enroll his/her eligible dependents, the dependents may only be added at a subsequent annual open enrollment period.

4. There must be no break in the employee's medical and dental plan coverage between the termination date of the other employer group coverage and enrollment in a District/ County-sponsored medical and dental plan. The retroactive enrollment period and premiums required to implement coverage are subject to the terms and conditions of the applicable plan. Failure to notify the District of loss of group coverage within sixty (60) calendar days will require the employee to pay his/her insurance premiums retroactively on an after-tax basis.

Section 3 – Medical Premium Subsidy

(a) The District has established a Medical Premium Subsidy (MPS) to offset the cost of medical plan premiums charged to eligible employees. The MPS shall be applied to medical insurance premiums only and shall not be applicable to dental

insurance premiums. The applicable MPS shall be paid directly to the provider of the District/County-sponsored medical plan in which the eligible employee has enrolled. The MPS shall not be considered compensation earnable for purposes of calculating benefits or contributions to the San Bernardino County Employees' Retirement Association.

In no case, shall the MPS exceed the cost of the medical insurance premium for the coverage selected (e.g., when the MPS amounts below exceed the lowest HMO cost).

(b) Eligibility.
Employee in regular positions scheduled and paid for a minimum of fifty-six (56) hours per pay period, who are enrolled in a District/County-sponsored medical plan, are eligible to receive the MPS towards the cost of medical coverage.

"Paid" hours for the purposes of this Sub-section (b) shall include accrued paid leave time such as vacation, sick leave, and holidays. It shall not include disability payments such as Short-Term Disability and Workers' Compensation.

Effective the first full pay period following the Board of Supervisors' approval of this Agreement employees shall receive MPS in the amounts per pay period as set forth below:

Coverage Type	MPS Amount
Employee Only	$176.16
Employee + 1	$376.59
Employee + 2	$516.08

Section 4 – Needles Premium Subsidy

For employees assigned to work in the Needles, Trona, and Baker work locations, the District will establish a "Needles Subsidy." To be eligible for the Needles Subsidy the employee must be enrolled in a medical plan and receive MPS. The Needles Subsidy will be paid by the employee's Department and will be equal to the amount of the premium difference between the indemnity medical plan offered in these specific work locations and the lowest cost medical plan provided by the District/County. The applicable Subsidy amount shall be paid directly to the provider of the District/County-sponsored medical plan in which the eligible employee has enrolled. This Subsidy will be established each year when premiums change for the District/County-sponsored medical plans. The Subsidy will be discontinued when the lowest cost medical plan becomes available to the employees.

Section 5 – Eligibility for MPS While on Leave

(a) FMLA/CFRA - Employees who are on approved leave, pursuant to applicable law and whose paid hours in a pay period are less than the required number of hours designated in Sub-section 3(b) above will continue to be enrolled in a District/County-sponsored medical plan and receive the MPS in accordance with applicable law.

An employee who does not otherwise meet the requirements for FMLA and/or CFRA (e.g., an employee who has not actually worked 1,250 hours during the applicable twelve (12) month rolling period) after the employee has received the MPS, shall not be eligible for continuation of the MPS in the subsequent year. For example, an employee who is off work continuously for two years, and has received the MPS for a total six (6) pay periods during his/her absence, shall not be eligible for the continuation of MPS in the next rolling year.

(b) Pregnancy Disability Leave (PDL) - An employee is eligible for continuation of MPS in accordance with applicable law.

(c) Per Episode of Illness or Injury – Employees who are on an approved medical leave of absence and whose paid hours in a pay period are less than fifty-six (56) hours will continue to receive MPS for up to six (6) pay periods per episode of illness or injury.

(d) Short-Term Disability/State Disability Insurance - Employees who are fully integrating paid leave time with either Short-Term Disability (STD) insurance or State Disability Insurance (SDI) shall receive the MPS. "Fully integrating paid leave time" means that the total amount of the STD or SDI and the employee's paid hours (i.e., paid leave and/or regular time) equals 100% of the employee's pay.

MEDICAL EMERGENCY LEAVE

The particulars of the Medical Emergency Leave Policy are as follows:

(a) The employee must have regular status with the District or one (1) year of continuous service in a regular position with the District.

(b) The employee must meet all of the following criteria before he or she becomes eligible for Medical Emergency Leave donation: (1) Be on an approved medical leave of absence for at least thirty (30) consecutive calendar days (two hundred and forty (240) working hours) exclusive of an absence due to a work related injury/illness; (2) Submit a doctor's off work order verifying the medical requirement to be off work for a minimum of thirty (30) calendar days (two hundred and forty (240) working hours) (3) Have exhausted all useable leave balances prior to initial eligibility for Medical Emergency Leave donations – subsequent accruals will not affect eligibility; and (4) Have also recorded at least one hundred twelve (112) hours of sick leave without pay during the current period of disability.

(c) An employee is not eligible for Medical Emergency Leave if he or she is receiving Workers' Compensation benefits. An employee receiving Short-Term Disability (STD) payments from the STD plan, and who is also using/coding MEL, shall not receive a combined payment for those MEL hours and STD payments that would exceed the employee's biweekly base salary. The County must receive proof of STD benefits indicating the payment dates and the amount of the benefit from the benefit provider and/or the Department.

(d) Vacation, holiday, and compensatory time, may be donated by employees only on a voluntary and confidential basis, in increments of eight (8) hours, [or in the case of holiday leave, only, four (4) hours] not to exceed a total of fifty percent (50%) of an employee's annual vacation, holiday, or compensatory time accrual per employee. The donation may be made for a specific employee, regardless of rank of occupational unit, in the time frames established by the Human Resources Division. The employee (donee) using/coding the Medical Emergency Leave will be taxed accordingly.

(e) The donation is to be for the employee's Medical Emergency Leave only; the donation to one (1) employee is limited to a total of one thousand four hundred and fifty six (1,456) hours per fiscal year.

(f) The definition of Medical Emergency Leave is an approved Leave of Absence due to a verifiable, long-term illness or injury, either physical or mental impairment of the employee. Medical Emergency Leave is not for use to care for a member of the employee's family. Job and/or personal stress (not the result of a diagnosed mental disorder) are specifically excluded for receipt by the employee of Medical Emergency Leave. A statement from the employee's treating physician, subject to review by the Center for Employee Health and Wellness or medical designee, is required for initial and continued eligibility. An employee shall be eligible to utilize and receive Medical Emergency Leave during the pay period they are on the approved long term leave of absence.

(g) The employee on an approved Medical Leave of Absence who is receiving Medical Emergency Leave can continue to earn benefit monies (i.e., MPS, Opt-out/Waive amounts) per the minimum paid hours (i.e., 56 hours) per pay period requirement of the Medical and Dental Coverage Article, or the requirement of Federal and State Family Leave Acts, as applicable to the individual employee.

(h) An employee using/coding leave under this program is not eligible for receipt of any accruals such as vacation leave, sick leave, or retirement credit.

(i) Medical Emergency Leave hours will count towards the accountable hours used to determine holiday leave eligibility.

(j) Donor hours shall be contributed at the donor's hourly base salary rate and be converted to the donee's hourly base salary, exclusive in both instances of overtime, differentials and the like as the singular purpose of this program is to provide financial assistance.

(k) Any donated time unused by the employee for the medical emergency shall remain in the donee's accruals or shall be returned to the donor employee(s) as follows:

1. An employee who resigns while on Medical Emergency Leave (i.e., an approved Leave of Absence due to a verifiable, long-term illness or injury, either physical or mental impairment of the employee) shall be paid at one hundred percent (100%) of his/her base hourly rate of pay for all unused Medical Emergency Leave up to 224 hours at time of resignation in accordance with payroll procedures established by the County Auditor-Controller/Treasurer/Tax Collector. In the case of employees who die while

on Medical Emergency Leave, the employees spouse or registered domestic partner, unless otherwise specified on the Beneficiary Designation For Last Warrant form on file with the ATC, shall be paid at one hundred percent (100%) of the deceased employee's base hourly rate for all unused Medical Emergency Leave up to 224 hours at the time of the employee's death in accordance with payroll procedures established by the County Auditor-Controller/Treasurer/Tax Collector. Any unused Medical Emergency Leave in excess of 224 hours shall be returned to the donor(s), in accordance with the procedures established by the County.

2. An employee on Medical Emergency Leave who has received the approval of his/her physician and the Center for Employee Health and Wellness to return to full time work shall be required to return all unused Medical Emergency Leave to the donor(s), in accordance with the procedures established by the County.

(l) The donation shall be administered on a specific basis where so designated with instances charged to the Medical Emergency Leave donation for actual administrative costs.

(m) Solicitation of donors shall be regulated by the Human Resources Department, names of donors are to be confidential, and the privacy rights of the donee upheld per legal requirements.

(n) All donors and donees shall sign release forms designed, retained, and affected by the Human Resources Department.

MERIT ADVANCEMENTS

(a) It is agreed that a work performance evaluation shall be completed by the employee's immediate supervisor within ninety (90) calendar days prior to the employee's step advance eligibility date for all employees in this Unit who are below top step of their salary range.

If such employee is evaluated as "Meets Job Standards" or better, the employee will be granted the step advancement effective on the employee's step advance eligibility date.

(b) If an employee received an overall "Unsatisfactory" or "Improvement Needed" evaluation, the employee's step advancement may not be granted on the date due.

The employee may be reevaluated after a minimum of twenty-eight (28) calendar days. If the employee is evaluated as "Meets Job Standards" or better, the step advancement shall be granted and effective the following pay period.

(c) In cases where no work performance is filed, an employee should contact the supervisor who must complete and file the work performance evaluation within fourteen (14) calendar days. If the employee is rated as "Meets Job Standards" or better, the employee will be granted the step advance retroactive to the employee's salary advance eligibility date.

ON CALL COMPENSATION

If during the term of this agreement the Fire Department determines that there is a need to address issues related to the placement of employees in on call status at a threshold which is not compensable waiting time under the Fair Labor Standards Act, the parties shall meet and confer in good faith regarding the implementation of such provisions.

OPERATIONS LEADERSHIP TEAM

The parties recognize that the delivery of public service in the most efficient and effective manner is of paramount importance and interest to the District and the Union.

Maximized productivity is recognized to be a mutual obligation of both parties within their respective roles and responsibilities. To this end, the parties agree that an Operations Leadership Team comprised of management and employees shall be created. The purpose of such committee shall be to:

(a) Review and provide input on proposed District policies and procedures;

(b) Develop, review and prioritize work simplification project proposals; and,

(c) Develop and review solutions to specific program problems.

The composition of the Team shall include up to six (6) management representatives, designated by the Fire Chief, and no more than six (6) employees designated by the Union. The Team shall be co-chaired by the Fire Chief or designee and the Union Executive Vice President. Meetings will be held as often as necessary to discharge the functions of the Team. The Team will establish reasonable time frames for the accomplishment of its charges. Recommendations of the Team will be arrived at by consensus and shall be submitted in writing to the Fire Chief for final action, subject to review and approval.

OVERTIME

(a) Definition. Overtime shall be defined as all hours actually worked in excess of one hundred eighty two (182) hours per work period. A work period shall be twenty four (24) days. For purposes of defining overtime, paid leave time shall be considered as time actually worked. Overtime shall be reported in increments of full fifteen (15) minutes and is non-cumulative and non-payable when incurred in units of less than fifteen (15) minutes.

An employee shall be paid for a minimum of one (1) hour for any hold-over shift. Overtime shall not affect leave accruals. The District has the right to require overtime to be worked as necessary. To the extent possible, overtime shall be scheduled on a rotating, voluntary basis, provided, however, that when the voluntary system fails, the Division Chief shall have the authority to assign overtime.

(b) Overtime Compensation. Any employee authorized by the Division Chief or authorized representative to work overtime shall be compensated at premium rates; i.e., one and one-half (1-1/2) times the employee's regular rate of pay.

(c) Payment. Payment for overtime shall be made on the first payday following the pay period in which overtime is worked, unless overtime compensation cannot be computed until some later date, in which case overtime compensation will be paid on the next regular payday after such computation can be made.

(d) Work Period. The work period for purposes of overtime, established for employees in this unit, shall be twenty-four (24) days. All work periods which define overtime based as other than time worked in excess of forty (40) hours are established pursuant to section 207(k) of the Fair Labor Standards Act (FLSA), 29 USC 201 et sec.

PARAMEDIC PAY STIPEND

Effective the pay period following Board approval of this memorandum of understanding, employees who are certified by the District as a paramedic and by management to perform paramedic functions on a full-time regular basis shall receive a paramedic pay stipend of two-hundred dollars ($200.00) per month ($92.31 per pay period). Employees receiving such pay are required to maintain certification and to perform paramedic duties, as needed.
Employees eligible for the stipend who are not in paid status (i.e., not coding paid hours) during a pay period shall not receive the stipend for that pay period.

PHYSICAL FITNESS AND APPEARANCE

The parties agree that the physical, medical, and mental fitness and appearance of fire service personnel are requirements to perform the duties of the job and instill public confidence in the fire service function. They agree that such personnel require special treatment and consideration for the stress, physical demands and appearance expectations of the District and the public. Recognizing these important factors the parties agree that during the term of the Agreement the District may require medical, physical ability, and psychological assessments of such personnel provided the District pays and provides time off without loss of pay for such assessments. Any remedial or treatment action shall be the full responsibility of the employee. The District has the right to establish and maintain physical fitness standards as necessary, using the labor management process as defined in this agreement.

PROMOTIONS

A promotion is the appointment of an employee from one classification to a classification having a higher base salary range. Subject to the special provision below for employees on the Firefighter EMT salary range, a promoted employee shall receive at least the entrance rate of the new range, or mathematically closest to a five percent (5%) salary increase, whichever is greater, provided that no employee is thereby advanced above

the top step of the higher base salary range. An employee that has six (6) or fewer pay periods until a step advancement is due at the time of promotion, shall have the next step rate used to determine their new pay rate at the time of promotion. At the discretion of the Fire Chief, and with the approval of the Human Resources Director, an employee may be placed at any step within the higher base salary range. Promotions shall be effective only at the beginning of a pay period, unless an exception is approved by the Human Resources Director. A promoted employee shall be required to serve a new probationary period of twenty-six (26) pay periods prior to attaining regular status. Advancement to the next appropriate step shall be contingent upon the completion of twenty-six (26) pay period hours of satisfactory work performance on the current step.

Any exceptions shall be pursuant to the provisions of the Personnel Rules for Board-Governed Special Districts.

Special Provision: An employee on the Firefighter EMT salary range shall be promoted in the same manner above; provided, however, that his promotion shall be calculated based on the rate of the corresponding step of the Firefighter Paramedic salary range. For example, in December 2015 an employee on the Firefighter EMT salary range is at step 10 at a rate of $21.73/hour and promotes to Engineer. The employee's promotion would be calculated based on step 10 of the Firefighter Paramedic range, which is a rate of $24.01/hour. Therefore, the employee would be promoted to step 7 at a rate of $25.39/hour on the Engineer range.

PROVISIONS OF LAW

It is understood and agreed that this Memorandum of Understanding is subject to all current and future applicable Federal and State laws and regulations. If any part or provision of this Memorandum of Understanding is in conflict or inconsistent with such applicable provisions of those Federal or State laws, or is otherwise held to be invalid or unenforceable by any court of competent jurisdiction, such part or provision shall be suspended and superseded by such applicable law or regulation, and the remainder of this Memorandum of Understanding shall not be affected thereby. If any substantive part or provision of this Memorandum of Understanding is suspended or superseded, the parties agree to reopen negotiations regarding this suspended or superseded part or provision with the understanding that total compensation to employees under this Memorandum of Understanding shall not be reduced or increased as a result of this Article. The parties hereto agree to refrain from initiating any legal action that would invalidate the Articles of this Memorandum of Understanding.

REEMPLOYMENT

A regular employee who has separated from District employment, and who is subsequently rehired in the same classification in a regular position within a ninety (90) calendar day period, may receive restoration of salary step, annual leave accrual rate, and sick leave balance (unless the employee has received payment for unused sick leave in accordance with the Article, Retirement Medical Trust Fund, subject to the approval and conditions established by the Fire Chief and Director of Human Resources or designee. Restoration of retirement contribution rate shall be in accordance with applicable state law and in compliance with any requirements established by the

Retirement Board. The employee shall suffer loss of seniority and be required to serve a new probationary period, unless such requirements are waived by the Director of Human Resources or designee.

A regular employee who has separated from District employment and who is subsequently rehired into a regular position in the same job family within a ninety (90) calendar day period, may receive restoration of vacation accrual rate, sick leave, and retirement contribution rate in the same manner as described above. Such employees shall also suffer loss of seniority and be required to serve a new probationary period, unless such requirements are waived by the Director of Human Resources or designee.

RETIREMENT MEDICAL TRUST FUND

A Retirement Medical Trust Fund will be established for eligible Unit employees. The Trust is administered by a Board of Trustees who manage the resources of the Trust Fund and determine appropriate investment options and administrative fees for managing the Trust Fund. The Trustees insure that payments of qualified medical expenses incurred by retirees or their eligible dependents are properly reimbursed. The Trust will establish individual accounts for each participant who will be credited with earnings/losses based upon the investment performance of the participant's individual account. All of the contributions to the Trust Fund will be treated for tax purposes as employer, non-elective contributions resulting in tax-free contributions for the District. All of the distributions from the Trust Fund made to retirees or their eligible dependents for the reimbursement of qualified medical expenses as defined by the Internal Revenue Codes (including medical and other eligible insurance premiums) will also be non-taxable to the retiree or the retiree's eligible dependent(s).

The Trust is a Voluntary Employees Benefit Association (VEBA) and will comply with all of the provisions of Section 501(c)(9) of the Internal Revenue Code.

Section 1 – Sick Leave Conversion Eligibility

Eligible employees are those employees with ten (10) or more years of participation in the San Bernardino County Employees' Retirement Association (SBCERA); or those individuals who contributed to a public sector retirement system or systems over a ten (10) year period and did not withdraw their contributions from the retirement system(s); or those who receive a disability retirement. Those eligible employees with ten (10) or more years of combined contributions to SBCERA and other public sector retirement system(s) must complete a Prior Service Credit Request form and submit it to the Retirement Medical Trust Plan Administrator for approval. A letter from the public sector retirement system(s) confirming that contributions have not been withdrawn must accompany the form.

Section 2 – Sick Leave Conversion Formula

All eligible employees will be required to contribute the cash value of their unused sick leave balances to the Trust, upon separation from employment with the County for reasons other than death, in accordance with the conversion formula described below:

Amount of Remaining Sick Leave Hours	Cash Formula Value
672 hours or less	30%
673 to 840 hours	35%
841 to 1,008 hours	40%
1,009 to 1,176 hours	45%
1,177 to 1,344 hours	50%
1,345 to 1,680 hours	60%

Section 3 – District Contributions

The District shall contribute to the Trust an amount equal to a percentage of the base biweekly salary of eligible employees as follows:

Years of Completed County Service	Percentage
Less than one year	0%
One but less than ten years	1.0%
Ten but less than sixteen years	1.75%
Sixteen or more years	2.75%

Contributions to the Trust shall not be considered earnable compensation.

Section 4 – Death

Upon the death of an active employee with ten (10) or more years of continuous service from the most recent date of hire in a regular position, the estate of the deceased employee will be paid the cash value for unused sick leave balances according to the sick leave conversion formula of Section 2 of this article, and will not go into the Trust. .

RETIREMENT SYSTEM CONTRIBUTIONS

Section 1: Eligibility

Under the provisions of the County Employee's Retirement Law of 1937, all employees in regular positions who are scheduled to work for a minimum of forty (40) hours per pay period shall become members of the San Bernardino County Employees' Retirement Association (SBCERA).

Exception: Employees first hired at age 60 or over may choose not to become a member of SBCERA at the time of hire. If this election is made, the employee will participate in the County's PST Deferred Compensation Retirement Plan. Said employee's contributions to the PST Deferred Compensation Retirement Plan shall be automatically deducted from the employee's earnings. Maximum total contributions shall be seven and one-half percent (7½%) of the employee's maximum coverage wages for Social Security purposes. Employees shall automatically be enrolled in the Plan upon notification from SBCERA that the employee has opted out of SBCERA membership.

Section 2: Employee Contributions

Any employee Retirement System contribution obligations shall be paid by the employee. Employee Retirement System contributions shall be "picked up" for tax purposes only pursuant to this Section. The Auditor-Controller/Treasurer/Tax Collector has implemented the pickup of such Retirement Contributions under Internal Revenue Code Section 414 (h)(2). The District shall make member contributions under this Section on behalf of the employee, which shall be in lieu of the employee's contributions and such contributions shall be treated as employer contributions for purposes of reporting and wage withholding under the Internal Revenue Code and the Revenue and Taxation Code. The amounts picked up under this Section shall be recouped through offsets against the salary of each employee for whom the district picks up member contributions. These offsets are akin to a reduction in salary and shall be made solely for purposes of income tax reporting and withholding. The member contributions picked up by the District under this Section shall be treated as compensation paid to District employees for all other purposes. No employee shall have the option to receive the Retirement System contribution amounts directly instead of having them paid to the County Retirement System.

Section 3: Special Provisions (Certain Tier 1 Members Only)

Employees with at least 25 years of service as set forth in Government Code section 31625.3 as of July 2, 2011, and who have 30 years of service credit as set forth in Government Code section 31625.3 shall have one opportunity during the employee's employment to receive cash payments of seven percent (7%) of earnable compensation for up to twenty-six (26) pay consecutive pay periods.

Section 4: Retirement Formula

a) Tier 1 Retirement Formula

For Tier 1 members, the District has adopted a resolution making Section 31664.1 of the Government Code (3% at 50 Retirement Formula) applicable to eligible members of this Unit on October 1, 2003. For Tier 1 members, the District has also adopted a resolution pursuant to Section 31678.2 of the Government Code to make Section 31664.1 applicable to all prior safety retirement service credit for each eligible employee in this Unit.

b) Tier 2 Retirement Formula

For Tier 2 members, as defined under Government Code Section 7522 et seq. and SBCERA bylaws, the applicable Retirement Formula shall be 2.7% at age 57.

SALARY ADJUSTMENT

Effective pay period 23/2016 (i.e., the pay period beginning on October 15, 2016) the District shall provide a two percent (2.00%) across the board salary increase to all salary ranges in the Professional Firefighters Unit.

Effective pay period 23/2017 (i.e., the pay period beginning on October 14, 2017) the District shall provide a two percent (2.00%) across the board salary increase to all salary ranges in the Professional Firefighters Unit.

Effective pay period 23/2018 (i.e., the pay period beginning on October 13, 2018) the District shall provide a two percent (2.00%) across the board salary increase to all salary ranges in the Professional Firefighters Unit.

The parties jointly agree that the base salary ranges shall be applicable for the appropriate classifications listed in Appendix B.

For the purposes of this Agreement, base salary rate shall mean the hourly rate of pay established pursuant to the step placement within the base salary range as provided in this Agreement as appropriate. Employees shall be compensated in accordance with established district practices unless specifically modified by this Agreement, i.e., the hourly rate within the established range shall be divided by a factor of 1.4 to determine the fire service hourly rate base for a fifty-six (56) hour workweek.

SALARY RATES AND STEP ADVANCEMENTS

New employees shall be hired at step 1 of the established base salary range, except as otherwise provided in this Agreement. Variable entrance steps may be established if justified by recruitment needs, including lateral entries, through top step with the approval of the Fire Chief and the Director of Human Resources Director. Except for promotions, all step advancements shall be based upon one (1) step increment in the base salary range. Within the base salary range, all step advancements will be on the first day of each pay period. Approval for advancement shall be based upon satisfactory work performance and completion of required length of service in the classification and upon the recommendation of the Fire Chief. All newly hired Firefighters will be eligible for step advancement upon the completion of twenty-six (26) pay periods of satisfactory work performance.

An employee whose step advancement is denied shall not be eligible for reconsideration of step advancement except as provided in the Article on "Merit Advancements." The time required for step advancement shall be extended by any time spent on leave without pay, which exceeds fifty-six (56) hours in any pay period. The Director of Human Resources may authorize the adjustment of the salary step or salary rate of an employee to maintain salary equity within the system, to prevent undue hardship or unfairness due to the application of any rule or policy, or to correct any salary inequity or payroll error or omission including any such action which may have arisen in prior fiscal years.

SECTION 125 PREMIUM CONVERSION PLAN

(a) Eligible employees shall be provided with a Section 125 Premium Conversion Plan. The purpose of the Plan is to provide employees a choice between paying premiums with either pre-tax salary reductions or after-tax payroll deductions for medical insurance, dental insurance, vision insurance, voluntary life (to the IRS

specified limit) and accidental death and dismemberment insurance premiums currently maintained for Unit employees or any other program(s) mutually agreed upon by the parties. The amount of the pre-tax salary reduction or after-tax payroll deduction must be equal to the required insurance premium.

(b) Benefit Plan elections shall not reduce earnable compensation for purposes of calculating benefits or contributions for the San Bernardino County Employees' Retirement Association.

(c) To be eligible for this benefit, an employee must be in a regular position and be regularly scheduled to work at least fifty-six (56) hours in a pay period or must have received the benefits under section (a) immediately prior to being on an approved leave of absence for which continuation of these benefits is expressly provided under Section 5 of the Medical and Dental Coverage Article.

(d) Election of pre-tax and after-tax payroll deductions shall be made within sixty (60) days of the initial eligibility period in a manner and on such forms designated by the Human Resources Employee Benefits and Services Division. Failure to timely submit appropriate paperwork will result in after-tax deductions for all eligible premiums for the remainder of the Plan year.

(e) Once a salary reduction has begun, in no event will changes in elections be permitted during the Plan year except to the extent permitted under Internal Revenue Service rulings and regulations and with the County's Section 125 Plan Document. The employee must submit request for a change due to a mid-year qualifying event within sixty (60) days of the qualifying event. The County's Human Resources Employee Benefits and Services Division will authorize changes as long as the change is made on account of and consistent with an employee's change in status.

SHORT TERM DISABILITY (STD) INSURANCE

At the beginning of each month the County will pay to Local 935, nineteen dollars and fifty cents ($19.50) times the number of unit employees in regular positions at that particular time for the STD plan picked by Local 935. Participation is mandatory for all Unit employees. Local 935 shall have sole fiduciary and administrative responsibility to pay premiums to its provider. These payments shall not be reported to the Retirement System as "Earnable Compensation."

SMOKING

Employees hired after January 29, 2002 shall be non-smokers and are required to remain non-smokers throughout their employment. During the term of this MOU newly hired employees will be informed of this Article.

SPECIAL ASSIGNMENT COMPENSATION

Special assignment compensation is a concept, which allows for temporary increases in pay beyond that which is normally allowed when duties performed support such additional pay for specific periods of time. Increases in pay may be granted to recognize the temporary assignment of more difficult duties requiring a greater level of skill(s). Temporary assignment shall mean a period of one (1) calendar year or less. Selected positions may be authorized for special assignment compensation, rather than being permanently reclassified to a higher level, to allow for employee rotation to enhance upward mobility. Increases in pay shall be temporary so long as the higher level duties are assigned and performed, not to exceed one (1) calendar year. Such increases in pay shall not affect an employee's step advancement in the base range pursuant to the Article on "Salary Rates and Step Advancements."

Requests for special assignment compensation may be initiated by the Division Chief or an employee via the Division Chief. The eligibility of the special assignment compensation request shall be reviewed by the Director of Human Resources, and the subsequent final and binding decision for application of special assignment compensation as well as the amount to be awarded shall be determined in writing by the Fire Chief within thirty (30) days following submission. Such compensation shall be paid according to procedures approved by the Board of Supervisors. That procedure is defined as follows:

(a) Special assignment compensation will be in the form of a bonus equivalent to a specified percentage of the employee's base pay. The Fire Chief, with a recommendation from the Division Chief, will determine the amount of increments of one-half (½%) percent from a minimum of two and one-half percent (2½%) up to a maximum of seven and one-half percent (7½%). It is the responsibility of the requesting district to bear the cost of additional compensation. The bonus will be computed at the specified percentage of the current base pay of the employee for each pay period and will be paid each pay period, except that the final payment of an award which terminates between such payment dates shall be made on the scheduled pay day after the next complete pay period following such termination.

(b) Prior to the assignment of special assignment duties, that is the temporary assignment of more difficult duties requiring a greater level of skills(s), approval via the signed form must be received from the Fire Chief. Compensation is to be effective only with written approval and assignment of the greater level of duties, with a signed acceptance by the employee. In no case, will awards be made retroactive, to the date preceding the date of approval by the Fire Chief. The Division Chief and the employee bear mutual responsibility for adherence to the special assignment compensation provision as defined above. The Fire Chief has the final and binding authority in that review process to apply or not apply special assignment compensation and, if awarded, the amount. The decision on the employee's request for a review, shall be rendered by the Fire Chief within thirty (30) days of the request. At the end of the one (1) calendar year assignment, special compensation leave may be renewed by the Fire Chief.

SPECIAL CIRCUMSTANCES PAY

An employee in a regular position who is assigned to work in the communities of Baker, Needles, or Big River shall receive a pay differential of five percent (5%) of the employee's base hourly rate as provided in Appendix C. Employees assigned to work in Baker, Needles, or Big River work locations who are subsequently reassigned to a different work location shall no longer be eligible for the pay differential. The Fire Chief shall designate the communities eligible for Special Circumstances Pay.

Employees eligible for the pay provided in this Article who are not in paid status (i.e., not coding paid hours) during a pay period shall not receive the Special Circumstances pay for that pay period.

SPECIALTY PAY DIFFERENTIALS

Section 1: Urban Search & Rescue Team (USAR Team) and Hazardous Materials Team (Haz Mat Team)

The District has established a pay differential for an Urban Search and Rescue Team (USAR Team) and a Hazardous Materials Team (Haz Mat Team). Employees who volunteer to be on a team and receive the differential must meet and maintain the necessary training and certification standards established by the Department. With the approval of the Fire Chief or designee, the Department shall pay for the tuition and certification associated with USAR and Haz Mat classes or courses. Employees who volunteer to obtain the necessary certifications for inclusion on a team shall be required to attend said classes or courses on their own time.

A. Urban Search & Rescue Team (USAR Team)

935 Unit employees assigned to a USAR designated station, as determined by management, who meet the criteria for inclusion on the USAR Team shall receive a bi-weekly differential equivalent to 5.5% of the top step Firefighter Paramedic level. 935 Unit employees who meet the criteria for inclusion on the USAR Team who are not assigned to a USAR station shall be eligible to receive a bi-weekly differential equivalent to 1.5% of the top step Firefighter Paramedic level, to maintain the necessary USAR Team certifications.

B. Hazardous Materials Team (Haz Mat Team)

935 Unit employees assigned to a Haz Mat designated station, as determined by management, who meet the criteria for inclusion on the Haz Mat Team shall receive a bi-weekly differential equivalent to 5.5% of the top step Firefighter Paramedic level. 935 Unit employees who meet the criteria for inclusion on the Haz Mat Team who are not assigned to a Haz Mat station shall be eligible to receive a bi-weekly differential equivalent to 1.5% of the top step Firefighter Paramedic level, to maintain the necessary Haz Mat Team certifications.

Section 2: Other Specialty Pay Differentials

A. Training Officer

935 unit members regularly assigned to the Training Division shall receive a bi-weekly differential equivalent to 7.5% of the top step Firefighter Paramedic level, after determination of appropriate training and certifications.

All personnel will be assigned a fifty-six (56) hour work week with variable work days or tour of duty within the work period.

B. Crew Superintendent

An employee regularly assigned to perform as a Crew Superintendent shall be eligible to receive a bi-weekly differential equivalent to 12.5% of the top step Firefighter Paramedic level. The Crew Superintendent shall oversee all wildland operations in special operations including, but not limited to, paid crews, inmate crews, and dozer programs.

C. Crew Foreman

An employee regularly assigned to perform as a Crew Foreman shall be eligible to receive a bi-weekly differential equivalent to 7.5% of the top step Firefighter Paramedic level. The Crew Foreman shall oversee wildland crews and operations, including, but not limited to, crew transport, support vehicles, and equipment.

D. Heavy Equipment Operator

An employee regularly assigned to perform as a Heavy Equipment Operator shall be eligible to receive a bi-weekly differential equivalent to 10% of the top step Firefighter Paramedic level. The Heavy Equipment Operator shall oversee wildland dozer equipment and operations, including, but not limited to, transport, support vehicles, and swamper personnel.

E. Aircraft Rescue Firefighter (ARFF)

An employee regularly assigned to an ARFF designated station, as determined by management, who meets the criteria for inclusion on the ARFF Team shall be eligible to receive a bi-weekly differential equivalent to 5.5% of the top step Firefighter Paramedic level. An employee who meets the criteria for inclusion on the ARFF Team who is not assigned to an ARFF designated station shall be eligible to receive a bi-weekly differential equivalent to 1.5% of the top step Firefighter Paramedic level per pay period.

F. Flight Crew Captain

An employee regularly assigned to perform as a Flight Crew Captain shall be eligible to receive a bi-weekly differential equivalent to 12.5% of the top step Firefighter Paramedic level. The Flight Crew Captain shall be required to hold the rank of Captain and shall oversee all helicopter operations in special operations, including, but not limited to, daily flight operations, rescue hoist operations, wildland air operations, paramedic duties for air rescue transport, search and rescue, and command control. An employee who is

designated by the Department and meets the criteria for inclusion as a Flight Crew Captain (e.g., has the necessary hoist qualifications and has completed ground school) who is not assigned as a Flight Crew Captain shall be eligible to receive a bi-weekly differential equivalent to 1.5% of the top step Firefighter Paramedic level per pay period, to maintain the necessary hoist qualifications and ground school education.

G. Flight Paramedic

An employee regularly assigned to perform as a Flight Paramedic shall be eligible to receive a bi-weekly differential equivalent to 7.5% of the top step Firefighter Paramedic level. The Flight Paramedic duties shall include, but are not limited to, daily flight operations, rescue hoist operations, wildland air operations, paramedic duties for air rescue transport, and search and rescue. An employee who is designated by the Department and meets the criteria for inclusion as Flight Paramedic (e.g., has the necessary hoist qualifications and has completed ground school) who is not assigned as Flight Paramedic shall be eligible to receive a bi-weekly differential equivalent to 1.5% of the top step Firefighter Paramedic level per pay period, to maintain the necessary hoist qualifications and ground school education.

Section 3: Special Provisions

(a) Specialty pay differentials shall be calculated as a percentage of the base rate of pay per pay period of the top step Firefighter Paramedic level, as provided in Appendix C. For example, the Crew Superintendent differential is 12.5% of the top step Firefighter Paramedic level. In November 2015 the approximate bi-weekly salary of the top Firefighter Paramedic level is $2,870.56. As such, an employee who is eligible for the Crew Superintendent differential would receive $358.82 per pay period.

(b) Employees eligible for a differential(s) provided in this Article who are not in paid status (i.e., not coding paid hours) during a pay period shall not receive the differential(s) for that pay period.

STAFFING

The Union agrees to staffing flexibility in these difficult financial times. The Union President, Fire Chief and County CEO or designee shall meet as needed to ensure effective staffing.

STAFFING DESK

A single central staffing desk has been established to manage staffing and Telestaff activity for unit members. After hours and weekend staffing shall be handled by a single station as the backup staffing desk. Any additional staffing needs shall be managed by the Battalion Chief for the effected Battalion.

STANDARD TOUR OF DUTY

The Fire Chief shall establish the actual number of hours, which comprises the standard tour of duty for each position. Normally, the standard tour of duty will be comprised of twenty-four (24) hours, which equates to one (1) shift. The Fire Chief may modify or change the number of hours in the standard tour of duty for each position to meet the needs of the service.

When the Fire Chief finds it necessary to make such modifications or changes, the Fire Chief shall notify the affected employee(s) indicating the proposed change prior to its implementation.

When such modification or change would affect the standard tour of duty of such employee(s), and when the Union requests to meet and confer, the parties shall expeditiously meet and confer regarding the impact the modification or change could have on employee(s).

For purposes of disciplinary action as defined in the Personnel Rules for Board-governed Special Districts, Rule XI, Section 2, the work day for shift personnel shall be defined as twelve (12) hours.

STANDARD WORK WEEK

The standard work week shall be a fifty-six (56) hour work week as that term is typically defined for fire service personnel.

STANDBY

Employees in regular positions, who are released from active duty but are required by the District to leave notice where they can be reached and be available to return to active duty when required by the district, shall be assigned to standby duty. Standby duty requires that employees so assigned shall: (1) be ready to respond immediately; (2) be reachable by telephone or other communicating devices; (3) be able to report to active duty within a specified period of time; and (4) refrain from activities which might impair their ability to perform assigned duties. Assignment of duty shall be compensated at minimum wage as provided in the Fair Labor Standards Act for each full hour of standby duty. Said compensation is exclusive of any hours worked under provisions of the Article on "Call Back." Standby hours under this Article shall count as hours worked for overtime purposes.

TERM

The term of this Memorandum of Understanding shall commence upon approval by the Board of Supervisors, and shall expire at 12:00 a.m. (midnight) of October 11, 2019. If a successor Memorandum of Understanding has not been reached by 12:00 a.m. (midnight) of October 11, 2019, the terms and conditions of this Memorandum of Understanding shall continue in effect until a successor Memorandum of Understanding is approved by the Board of Supervisors or the dispute resolution procedure has been exhausted, whichever occurs sooner.

TIME TRADES

Employees shall have the right to exchange shifts (time trades) providing that an authorization form, approving the adjustment of leave balances or salary when necessary, has been previously signed and submitted. The time trades must be worked within twelve (12) calendar months. If an employee owes a time trade at the end of the twelve (12) calendar month period the employee will have an equal amount of hours deducted from their vacation leave accruals or holiday leave accruals if insufficient vacation accruals are available. If sufficient vacation or holiday leave accruals are unavailable then salary, equivalent to the amount owed, will be deducted. Employees owed a time trade and who are planning on leaving Department employment must inform their supervisor, with a minimum two (2) week notice, of a time trade owed to them. The employee owing the time trade, if unable to work, will have an equal amount of time owed deducted from his/her vacation leave accruals, holiday leave accruals, or salary. Payment, if necessary and deductions are made at straight time.

Time trades shall be subject to the approval of the immediate supervisor. A time trade is considered a change in the work schedule for the purpose of employee accountability. It is neither a method to circumvent leave request procedures nor is it counted for purposes of determining overtime pursuant to the Fair Labor Standards Act and State Law.

UNIFORM ALLOWANCE

1. The County shall provide an annual uniform allowance in the sum of four hundred fifty dollars ($450.00) to employees in this Unit in regular positions on payroll in a paid status as of January 1 of each year to compensate for costs associated with uniform purchase, maintenance, cleaning and replacement. Payment shall be made in the month of January each year. Employees on a leave of absence without pay on January 1 shall receive the uniform allowance upon return to paid status. Any employee separating from County employment at the conclusion of a leave of absence shall not receive the uniform allowance.

2. New employees, after successful completion of probation, shall receive an additional one hundred twenty-five ($125.00) for the purchase of the required Class A uniform. This payment shall be requested within six (6) months of completing probation and shall be paid within four (4) pay periods of being requested.

UNION BUSINESS

(a) Union members shall be granted a reasonable amount of District time to perform their Union functions, including attendance at Union meetings, conventions, conferences, and seminars, without loss of pay, UB coverage will qualify for force hire to backfill. Leave time shall be approved by the Fire Chief, County Executive Officer or the designee of either prior to taking such leave. The Union shall keep the Fire District informed of Executive Board members at all times.

(b) The District agrees to allow Union officials time during non-active duty hours to perform the following Union functions:

1. Posting of Union notices on approved bulletin boards within the assigned District;

2. Distribution of Union literature within the assigned District; and,

3. Communication via Union telephone or mail to other Districts or Union representatives. In addition, said Union officials will be granted release time to consult with District management concerning the enforcement of this Agreement or to represent an employee in a grievance hearing.

(c) The District agrees to allow up to a maximum total of three (3) employees release time to represent the Union during meet and confer sessions. Said employees shall only be compensated at their base rate of pay for time actually spent while meeting and conferring during their tour of duty. In no case shall such employees be entitled to overtime compensation for the time spent during such meet and confer sessions, nor any compensation for time spent in preparation for meeting and conferring.

UNION DUES

It is agreed that during the term of this Agreement, Union membership dues and insurance premiums for plans sponsored by the Union shall be deducted by the County from the pay warrant of each employee covered hereby who files with the District a written authorization requesting that such deduction be made. Remittance of the aggregate amount of all membership dues and insurance premiums deducted from the pay warrants of employees covered hereby shall be made to the Union within thirty (30) days after the conclusion of the month in which said membership dues and insurance premiums were deducted.

The District may charge a service fee of five cents ($.05) per pay period deduction per employee for the processing of such deductions. Said District shall not be liable to the Union, employees, or any party by reason of the requirements of this Article for the remittance of any sum other than that constituting actual deductions made from employee wages earned, less the service fee. The Union shall hold the District harmless for any and all claims, demands, suits, orders, judgments or other forms of liability that may arise out of or by reason of action taken by the District Under this Article.

UPGRADING

An upgrading is the reclassification of a position from one classification to another classification having a higher base salary range. Whenever an incumbent employee is upgraded as a result of such reclassification, pursuant to the Personnel Rules, such employee's step placement in the new salary range shall be governed by the Article on "Salary Rates and Step Advancements."

VISION CARE INSURANCE

The District agrees to offer vision care insurance subject to carrier requirements and pursuant to applicable law. Selection of the vision care provider and the method of computing premiums shall be within the sole discretion of the County. The District will pay the premiums for vision care insurance for employees (employee-only coverage) in regular positions scheduled and paid for at least fifty-six (56) hours in a pay period. Eligible employees may elect to purchase coverage for their dependents pursuant to the Section 125 Premium Conversion Plan. Employees and eligible dependents who are no longer eligible for County-paid or voluntary vision care insurance will have the option of enrolling in COBRA continuation coverage.

WORK DISRUPTION

The parties agree that no work disruptions of any kind shall be caused or sanctioned by the Union during the term of this Agreement. Work disruptions include, but are not limited to: sit-down, stay-in, speed-up, or slowdown in any operations of the District; strike, curtailment of work, disruption or interference with the operations of the District, or any other form of concerted work activity. The Union shall discourage any such work disruptions and shall make positive efforts to return employees to their jobs. The participation of any employee in a concerted work action can result in disciplinary action, including termination. The parties agree that no lockout of employees shall be instituted by the District during the term of this Agreement, unless conditions herein are suspected to have been violated.

APPENDIX A

APPROVAL BY BOARD OF DIRECTORS

This Agreement is subject to approval by the Board of Directors. The parties hereto agree to perform whatever acts are necessary, both jointly, and separately, to urge the Board to approve and enforce this Agreement.

Following approval of this Agreement by the Board, its terms and conditions shall be implemented by appropriate ordinance, resolution or other appropriate lawful action.

DATED: SEP 2 1 2015

SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT

BOB WINDLE
Assistant Director of Human Resources

SAN BERNARDINO COUNTY PROFESSIONAL FIREFIGHTERS IAFF, LOCAL 935

JAMES GRIGOLI, President

RECOMMENDED FOR BOARD OF DIRECTORS APPROVAL:

ANDREW LAMBERTO
Director of Human Resources

GREGORY C. DEVEREAUX
Chief Executive Officer

BOARD OF SUPERVISORS

JAMES RAMOS, Chairman

OCT 0 6 2015
Date

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
LAURA H. WELCH
Secretary of the Board

By _____ Deputy

APPENDIX B

Local 935 Fire

CLASSIFICATION	SALARY RANGE
Firefighter	FFE, FFP
Engineer	ENG
Captain	CAP

935 Firefighters Salary Schedules

Effective 10/17/15

Firefighter with EMT	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
FFE	$ 17.52	$ 17.94	$ 18.37	$ 18.82	$ 19.28	$ 19.76	$ 20.23	$ 20.72	$ 21.22	$ 21.73	$ 22.27	$ 22.79	$ 23.35	112 Hour
	$ 24.53	$ 25.12	$ 25.72	$ 26.35	$ 26.99	$ 27.66	$ 28.32	$ 29.01	$ 29.71	$ 30.42	$ 31.18	$ 31.91	$ 32.69	80 Hour
	$ 1,962.24	$ 2,009.28	$ 2,057.44	$ 2,107.84	$ 2,159.36	$ 2,213.12	$ 2,265.76	$ 2,320.64	$ 2,376.64	$ 2,433.76	$ 2,494.24	$ 2,552.48	$ 2,615.20	Appox. Bi-Weekl
	$ 4,251.52	$ 4,353.44	$ 4,457.79	$ 4,566.99	$ 4,678.61	$ 4,795.09	$ 4,909.15	$ 5,028.05	$ 5,149.39	$ 5,273.15	$ 5,404.19	$ 5,530.37	$ 5,666.27	Approx. Monthly
	$ 51,018.24	$ 52,241.28	$ 53,493.44	$ 54,803.84	$ 56,143.36	$ 57,541.12	$ 58,909.76	$ 60,336.64	$ 61,792.64	$ 63,277.76	$ 64,850.24	$ 66,364.48	$ 67,995.20	Annual

Firefighter with Paramedic	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
FFP	$ 19.80	$ 20.22	$ 20.65	$ 21.10	$ 21.56	$ 22.04	$ 22.51	$ 23.00	$ 23.50	$ 24.01	$ 24.55	$ 25.07	$ 25.63	112 Hour
	$ 27.72	$ 28.31	$ 28.91	$ 29.54	$ 30.18	$ 30.86	$ 31.51	$ 32.20	$ 32.90	$ 33.61	$ 34.37	$ 35.10	$ 35.88	80 Hour
	$ 2,217.60	$ 2,264.64	$ 2,312.80	$ 2,363.20	$ 2,414.72	$ 2,468.48	$ 2,521.12	$ 2,576.00	$ 2,632.00	$ 2,689.12	$ 2,749.60	$ 2,807.84	$ 2,870.56	Appox. Bi-Weekl
	$ 4,804.80	$ 4,906.72	$ 5,011.07	$ 5,120.27	$ 5,231.89	$ 5,348.37	$ 5,462.43	$ 5,581.33	$ 5,702.67	$ 5,826.43	$ 5,957.47	$ 6,083.65	$ 6,219.55	Approx. Monthly
	$ 57,657.60	$ 58,880.64	$ 60,132.80	$ 61,443.20	$ 62,782.72	$ 64,180.48	$ 65,549.12	$ 66,976.00	$ 68,432.00	$ 69,917.12	$ 71,489.60	$ 73,003.84	$ 74,634.56	Annual

Engineer	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
ENG	22.27	22.76	23.26	23.77	24.30	24.83	25.39	25.96	26.53	27.13	27.74	28.34	28.97	112 Hour
	31.18	31.86	32.56	33.28	34.02	34.76	35.55	36.34	37.14	37.98	38.84	39.68	40.56	80 Hour
	$ 2,494.24	$ 2,549.12	$ 2,605.12	$ 2,662.24	$ 2,721.60	$ 2,780.96	$ 2,843.68	$ 2,907.52	$ 2,971.36	$ 3,038.56	$ 3,106.88	$ 3,174.08	$ 3,244.64	Appox. Bi-Weekl
	$ 5,404.19	$ 5,523.09	$ 5,644.43	$ 5,768.19	$ 5,896.80	$ 6,025.41	$ 6,161.31	$ 6,299.63	$ 6,437.95	$ 6,583.55	$ 6,731.57	$ 6,877.17	$ 7,030.05	Approx. Monthly
	$ 64,850.24	$ 66,277.12	$ 67,733.12	$ 69,218.24	$ 70,761.60	$ 72,304.96	$ 73,935.68	$ 75,595.52	$ 77,255.36	$ 79,002.56	$ 80,778.88	$ 82,526.08	$ 84,360.64	Annual

Captain	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
CAP	25.96	26.54	27.13	27.74	28.36	29.00	29.65	30.33	31.01	31.71	32.44	33.15	33.92	112 Hour
	36.34	37.16	37.98	38.84	39.70	40.60	41.51	42.46	43.41	44.39	45.42	46.41	47.49	80 Hour
	$ 2,907.52	$ 2,972.48	$ 3,038.56	$ 3,106.88	$ 3,176.32	$ 3,248.00	$ 3,320.80	$ 3,396.96	$ 3,473.12	$ 3,551.52	$ 3,633.28	$ 3,712.80	$ 3,799.04	Appox. Bi-Weekl
	$ 6,299.63	$ 6,440.37	$ 6,583.55	$ 6,731.57	$ 6,882.03	$ 7,037.33	$ 7,195.07	$ 7,360.08	$ 7,525.09	$ 7,694.96	$ 7,872.11	$ 8,044.40	$ 8,231.25	Approx. Monthly
	$ 75,595.52	$ 77,284.48	$ 79,002.56	$ 80,778.88	$ 82,584.32	$ 84,448.00	$ 86,340.80	$ 88,320.96	$ 90,301.12	$ 92,339.52	$ 94,465.28	$ 96,532.80	$ 98,775.04	Annual

Effective 10/15/16 (2% ATB)

Firefighter with EMT	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
FFE	$ 17.87	$ 18.30	$ 18.74	$ 19.20	$ 19.67	$ 20.16	$ 20.63	$ 21.13	$ 21.64	$ 22.16	$ 22.72	$ 23.25	$ 23.82	112 Hour
	$ 25.02	$ 25.62	$ 26.24	$ 26.88	$ 27.54	$ 28.22	$ 28.88	$ 29.58	$ 30.30	$ 31.02	$ 31.81	$ 32.55	$ 33.35	80 Hour
	$ 2,001.44	$ 2,049.60	$ 2,098.88	$ 2,150.40	$ 2,203.04	$ 2,257.92	$ 2,310.56	$ 2,366.56	$ 2,423.68	$ 2,481.92	$ 2,544.64	$ 2,604.00	$ 2,667.84	Appox. Bi-Weekl
	$ 4,336.45	$ 4,440.80	$ 4,547.57	$ 4,659.20	$ 4,773.25	$ 4,892.16	$ 5,006.21	$ 5,127.55	$ 5,251.31	$ 5,377.49	$ 5,513.39	$ 5,642.00	$ 5,780.32	Approx. Monthly
	$ 52,037.44	$ 53,289.60	$ 54,570.88	$ 55,910.40	$ 57,279.04	$ 58,705.92	$ 60,074.56	$ 61,530.56	$ 63,015.68	$ 64,529.92	$ 66,160.64	$ 67,704.00	$ 69,363.84	Annual

Firefighter with Paramedic	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
FFP	$ 20.20	$ 20.62	$ 21.06	$ 21.52	$ 21.99	$ 22.48	$ 22.96	$ 23.46	$ 23.97	$ 24.49	$ 25.04	$ 25.57	$ 26.14	112 Hour
	$ 28.28	$ 28.87	$ 29.48	$ 30.13	$ 30.79	$ 31.47	$ 32.14	$ 32.84	$ 33.56	$ 34.29	$ 35.06	$ 35.80	$ 36.60	80 Hour
	$ 2,262.40	$ 2,309.44	$ 2,358.72	$ 2,410.24	$ 2,462.88	$ 2,517.76	$ 2,571.52	$ 2,627.52	$ 2,684.64	$ 2,742.88	$ 2,804.48	$ 2,863.84	$ 2,927.68	Appox. Bi-Weekl
	$ 4,901.87	$ 5,003.79	$ 5,110.56	$ 5,222.19	$ 5,336.24	$ 5,455.15	$ 5,571.63	$ 5,692.96	$ 5,816.72	$ 5,942.91	$ 6,076.37	$ 6,204.99	$ 6,343.31	Approx. Monthly
	$ 58,822.40	$ 60,045.44	$ 61,326.72	$ 62,666.24	$ 64,034.88	$ 65,461.76	$ 66,859.52	$ 68,315.52	$ 69,800.64	$ 71,314.88	$ 72,916.48	$ 74,459.84	$ 76,119.68	Annual

Engineer	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
ENG	$ 22.72	$ 23.22	$ 23.73	$ 24.25	$ 24.79	$ 25.33	$ 25.90	$ 26.48	$ 27.06	$ 27.67	$ 28.29	$ 28.91	$ 29.55	112 Hour
	$ 31.81	$ 32.51	$ 33.22	$ 33.95	$ 34.71	$ 35.46	$ 36.26	$ 37.07	$ 37.88	$ 38.74	$ 39.61	$ 40.47	$ 41.37	80 Hour
	$ 2,544.64	$ 2,600.64	$ 2,657.76	$ 2,716.00	$ 2,776.48	$ 2,836.96	$ 2,900.80	$ 2,965.76	$ 3,030.72	$ 3,099.04	$ 3,168.48	$ 3,237.92	$ 3,309.60	Appox. Bi-Weekl
	$ 5,513.39	$ 5,634.72	$ 5,758.48	$ 5,884.67	$ 6,015.71	$ 6,146.75	$ 6,285.07	$ 6,425.81	$ 6,566.56	$ 6,714.59	$ 6,865.04	$ 7,015.49	$ 7,170.80	Approx. Monthly
	$ 66,160.64	$ 67,616.64	$ 69,101.76	$ 70,616.00	$ 72,188.48	$ 73,760.96	$ 75,420.80	$ 77,109.76	$ 78,798.72	$ 80,575.04	$ 82,380.48	$ 84,185.92	$ 86,049.60	Annual

Captain	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
CAP	$ 26.48	$ 27.07	$ 27.67	$ 28.29	$ 28.93	$ 29.58	$ 30.24	$ 30.94	$ 31.63	$ 32.34	$ 33.09	$ 33.81	$ 34.60	112 Hour
	$ 37.07	$ 37.90	$ 38.74	$ 39.61	$ 40.50	$ 41.41	$ 42.34	$ 43.32	$ 44.28	$ 45.28	$ 46.33	$ 47.33	$ 48.44	80 Hour
	$ 2,965.76	$ 3,031.84	$ 3,099.04	$ 3,168.48	$ 3,240.16	$ 3,312.96	$ 3,386.88	$ 3,465.28	$ 3,542.56	$ 3,622.08	$ 3,706.08	$ 3,786.72	$ 3,875.20	Appox. Bi-Weekl
	$ 6,425.81	$ 6,568.99	$ 6,714.59	$ 6,865.04	$ 7,020.35	$ 7,178.08	$ 7,338.24	$ 7,508.11	$ 7,675.55	$ 7,847.84	$ 8,029.84	$ 8,204.56	$ 8,396.27	Approx. Monthly
	$ 77,109.76	$ 78,827.84	$ 80,575.04	$ 82,380.48	$ 84,244.16	$ 86,136.96	$ 88,058.88	$ 90,097.28	$ 92,106.56	$ 94,174.08	$ 96,358.08	$ 98,454.72	$ 100,755.20	Annual

935 Firefighters Salary Schedules
Effective 10/14/17 (2% ATB)

Firefighter with EMT	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
FFE	$ 18.23	$ 18.67	$ 19.11	$ 19.58	$ 20.06	$ 20.56	$ 21.04	$ 21.55	$ 22.07	$ 22.60	$ 23.17	$ 23.72	$ 24.30	112 Hour
	$ 25.52	$ 26.14	$ 26.75	$ 27.41	$ 28.08	$ 28.78	$ 29.46	$ 30.17	$ 30.90	$ 31.64	$ 32.44	$ 33.21	$ 34.02	80 Hour
	$ 2,041.76	$ 2,091.04	$ 2,140.32	$ 2,192.96	$ 2,246.72	$ 2,302.72	$ 2,356.48	$ 2,413.60	$ 2,471.84	$ 2,531.20	$ 2,595.04	$ 2,656.64	$ 2,721.60	Appox. Bi-Weekl
	$ 4,423.81	$ 4,530.59	$ 4,637.36	$ 4,751.41	$ 4,867.89	$ 4,989.23	$ 5,105.71	$ 5,229.47	$ 5,355.65	$ 5,484.27	$ 5,622.59	$ 5,756.05	$ 5,896.80	Approx. Monthly
	$ 53,085.76	$ 54,367.04	$ 55,648.32	$ 57,016.96	$ 58,414.72	$ 59,870.72	$ 61,268.48	$ 62,753.60	$ 64,267.84	$ 65,811.20	$ 67,471.04	$ 69,072.64	$ 70,761.60	Annual

Firefighter with Paramedic	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
FFP	$ 20.60	$ 21.03	$ 21.48	$ 21.95	$ 22.43	$ 22.93	$ 23.42	$ 23.93	$ 24.45	$ 24.98	$ 25.54	$ 26.08	$ 26.66	112 Hour
	$ 28.84	$ 29.44	$ 30.07	$ 30.73	$ 31.40	$ 32.10	$ 32.79	$ 33.50	$ 34.23	$ 34.97	$ 35.76	$ 36.51	$ 37.32	80 Hour
	$ 2,307.20	$ 2,355.36	$ 2,405.76	$ 2,458.40	$ 2,512.16	$ 2,568.16	$ 2,623.04	$ 2,680.16	$ 2,738.40	$ 2,797.76	$ 2,860.48	$ 2,920.96	$ 2,985.92	Appox. Bi-Weekl
	$ 4,998.93	$ 5,103.28	$ 5,212.48	$ 5,326.53	$ 5,443.01	$ 5,564.35	$ 5,683.25	$ 5,807.01	$ 5,933.20	$ 6,061.81	$ 6,197.71	$ 6,328.75	$ 6,469.49	Approx. Monthly
	$ 59,987.20	$ 61,239.36	$ 62,549.76	$ 63,918.40	$ 65,316.16	$ 66,772.16	$ 68,199.04	$ 69,684.16	$ 71,198.40	$ 72,741.76	$ 74,372.48	$ 75,944.96	$ 77,633.92	Annual

Engineer	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
ENG	$ 23.17	$ 23.68	$ 24.20	$ 24.74	$ 25.29	$ 25.84	$ 26.42	$ 27.01	$ 27.60	$ 28.22	$ 28.86	$ 29.49	$ 30.14	112 Hour
	$ 32.44	$ 33.15	$ 33.88	$ 34.64	$ 35.41	$ 36.18	$ 36.99	$ 37.81	$ 38.64	$ 39.51	$ 40.40	$ 41.29	$ 42.20	80 Hour
	$ 2,595.04	$ 2,652.16	$ 2,710.40	$ 2,770.88	$ 2,832.48	$ 2,894.08	$ 2,959.04	$ 3,025.12	$ 3,091.20	$ 3,160.64	$ 3,232.32	$ 3,302.88	$ 3,375.68	Appox. Bi-Weekl
	$ 5,622.59	$ 5,746.35	$ 5,872.53	$ 6,003.57	$ 6,137.04	$ 6,270.51	$ 6,411.25	$ 6,554.43	$ 6,697.60	$ 6,848.05	$ 7,003.36	$ 7,156.24	$ 7,313.97	Approx. Monthly
	$ 67,471.04	$ 68,956.16	$ 70,470.40	$ 72,042.88	$ 73,644.48	$ 75,246.08	$ 76,935.04	$ 78,653.12	$ 80,371.20	$ 82,176.64	$ 84,040.32	$ 85,874.88	$ 87,767.68	Annual

Captain	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
CAP	$ 27.01	$ 27.61	$ 28.22	$ 28.86	$ 29.51	$ 30.17	$ 30.84	$ 31.56	$ 32.26	$ 32.99	$ 33.75	$ 34.49	$ 35.29	112 Hour
	$ 37.81	$ 38.65	$ 39.51	$ 40.40	$ 41.31	$ 42.24	$ 43.18	$ 44.18	$ 45.16	$ 46.19	$ 47.25	$ 48.29	$ 49.41	80 Hour
	$ 3,025.12	$ 3,092.32	$ 3,160.64	$ 3,232.32	$ 3,305.12	$ 3,379.04	$ 3,454.08	$ 3,534.72	$ 3,613.12	$ 3,694.88	$ 3,780.00	$ 3,862.88	$ 3,952.48	Appox. Bi-Weekl
	$ 6,554.43	$ 6,700.03	$ 6,848.05	$ 7,003.36	$ 7,161.09	$ 7,321.25	$ 7,483.84	$ 7,658.56	$ 7,828.43	$ 8,005.57	$ 8,190.00	$ 8,369.57	$ 8,563.71	Approx. Monthly
	$ 78,653.12	$ 80,400.32	$ 82,176.64	$ 84,040.32	$ 85,933.12	$ 87,855.04	$ 89,806.08	$ 91,902.72	$ 93,941.12	$ 96,066.88	$ 98,280.00	$ 100,434.88	$ 102,764.48	Annual

Effective 10/13/18 (2% ATB)

Firefighter with EMT	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
FFE	$ 18.59	$ 19.04	$ 19.49	$ 19.97	$ 20.46	$ 20.97	$ 21.46	$ 21.98	$ 22.51	$ 23.05	$ 23.63	$ 24.19	$ 24.79	112 Hour
	$ 26.03	$ 26.66	$ 27.29	$ 27.96	$ 28.64	$ 29.36	$ 30.04	$ 30.77	$ 31.51	$ 32.27	$ 33.08	$ 33.87	$ 34.71	80 Hour
	$ 2,082.08	$ 2,132.48	$ 2,182.88	$ 2,236.64	$ 2,291.52	$ 2,348.64	$ 2,403.52	$ 2,461.76	$ 2,521.12	$ 2,581.60	$ 2,646.56	$ 2,709.28	$ 2,776.48	Appox. Bi-Weekl
	$ 4,511.17	$ 4,620.37	$ 4,729.57	$ 4,846.05	$ 4,964.96	$ 5,088.72	$ 5,207.63	$ 5,333.81	$ 5,462.43	$ 5,593.47	$ 5,734.21	$ 5,870.11	$ 6,015.71	Approx. Monthly
	$ 54,134.08	$ 55,444.48	$ 56,754.88	$ 58,152.64	$ 59,579.52	$ 61,064.64	$ 62,491.52	$ 64,005.76	$ 65,549.12	$ 67,121.60	$ 68,810.56	$ 70,441.28	$ 72,188.48	Annual

Firefighter with Paramedic	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
FFP	$ 21.01	$ 21.45	$ 21.91	$ 22.39	$ 22.88	$ 23.39	$ 23.89	$ 24.41	$ 24.94	$ 25.48	$ 26.05	$ 26.60	$ 27.19	112 Hour
	$ 29.41	$ 30.03	$ 30.67	$ 31.35	$ 32.03	$ 32.75	$ 33.45	$ 34.17	$ 34.92	$ 35.67	$ 36.47	$ 37.24	$ 38.07	80 Hour
	$ 2,353.12	$ 2,402.40	$ 2,453.92	$ 2,507.68	$ 2,562.56	$ 2,619.68	$ 2,675.68	$ 2,733.92	$ 2,793.28	$ 2,853.76	$ 2,917.60	$ 2,979.20	$ 3,045.28	Appox. Bi-Weekl
	$ 5,098.43	$ 5,205.20	$ 5,316.83	$ 5,433.31	$ 5,552.21	$ 5,675.97	$ 5,797.31	$ 5,923.49	$ 6,052.11	$ 6,183.15	$ 6,321.47	$ 6,454.93	$ 6,598.11	Approx. Monthly
	$ 61,181.12	$ 62,462.40	$ 63,801.92	$ 65,199.68	$ 66,626.56	$ 68,111.68	$ 69,567.68	$ 71,081.92	$ 72,625.28	$ 74,197.76	$ 75,857.60	$ 77,459.20	$ 79,177.28	Annual

Engineer	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
ENG	$ 23.63	$ 24.15	$ 24.68	$ 25.23	$ 25.80	$ 26.36	$ 26.95	$ 27.55	$ 28.15	$ 28.78	$ 29.44	$ 30.08	$ 30.74	112 Hour
	$ 33.08	$ 33.81	$ 34.55	$ 35.32	$ 36.12	$ 36.90	$ 37.73	$ 38.57	$ 39.41	$ 40.29	$ 41.22	$ 42.11	$ 43.04	80 Hour
	$ 2,646.56	$ 2,704.80	$ 2,764.16	$ 2,825.76	$ 2,889.60	$ 2,952.32	$ 3,018.40	$ 3,085.60	$ 3,152.80	$ 3,223.36	$ 3,297.28	$ 3,368.96	$ 3,442.88	Appox. Bi-Weekl
	$ 5,734.21	$ 5,860.40	$ 5,989.01	$ 6,122.48	$ 6,260.80	$ 6,396.69	$ 6,539.87	$ 6,685.47	$ 6,831.07	$ 6,983.95	$ 7,144.11	$ 7,299.41	$ 7,459.57	Approx. Monthly
	$ 68,810.56	$ 70,324.80	$ 71,868.16	$ 73,469.76	$ 75,129.60	$ 76,760.32	$ 78,478.40	$ 80,225.60	$ 81,972.80	$ 83,807.36	$ 85,729.28	$ 87,592.96	$ 89,514.88	Annual

Captain	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	
CAP	$ 27.55	$ 28.16	$ 28.78	$ 29.44	$ 30.10	$ 30.77	$ 31.46	$ 32.19	$ 32.91	$ 33.65	$ 34.43	$ 35.18	$ 36.00	112 Hour
	$ 38.57	$ 39.42	$ 40.29	$ 41.22	$ 42.14	$ 43.08	$ 44.04	$ 45.07	$ 46.07	$ 47.11	$ 48.20	$ 49.25	$ 50.40	80 Hour
	$ 3,085.60	$ 3,153.92	$ 3,223.36	$ 3,297.28	$ 3,371.20	$ 3,446.24	$ 3,523.52	$ 3,605.28	$ 3,685.92	$ 3,768.80	$ 3,856.16	$ 3,940.16	$ 4,032.00	Appox. Bi-Weekl
	$ 6,685.47	$ 6,833.49	$ 6,983.95	$ 7,144.11	$ 7,304.27	$ 7,466.85	$ 7,634.29	$ 7,811.44	$ 7,986.16	$ 8,165.73	$ 8,355.01	$ 8,537.01	$ 8,736.00	Approx. Monthly
	$ 80,225.60	$ 82,001.92	$ 83,807.36	$ 85,729.28	$ 87,651.20	$ 89,602.24	$ 91,611.52	$ 93,737.28	$ 95,833.92	$ 97,988.80	$ 100,260.16	$ 102,444.16	$ 104,832.00	Annual

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MEMORANDUM OF UNDERSTANDING

BETWEEN

TWENTYNINE PALMS WATER DISTRICT

AND

TWENTYNINE PALMS PROFESSIONAL FIREFIGHTERS, IAFF LOCAL 4266

June 1, 2013
to
May 31, 2016

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ARTICLE I - ADMINISTRATION

Section 1.1 - PARTIES TO MEMORANDUM

1.1.1 This Memorandum of Understanding (hereafter known as MOU) is entered into by and between the Twentynine Palms Professional Firefighters, IAFF Local 4266 (hereafter known as the Union) and the Twentynine Palms Water District (hereafter known as the District) pursuant to the provisions of the Meyers-Milias-Brown Act (MMBA) Government Code Sections 3500 et seq.

Section 1.2 - RECOGNITION

1.2.1 The District hereby recognizes the Union as the exclusive representative for all non-temporary full-time paid employees of the Twentynine Palms Fire Department who are engaged in fire fighting; emergency medical or rescue service; and/or fire prevention activities; and who are not management and/or confidential employees. This recognition excludes all volunteer personnel; such as paid-call and reserve firefighters; part-time and temporary personnel; and clerical employees.

1.2.2 Recognition is granted for the purpose of meeting and conferring on wages, hours, terms and conditions of employment and general representation of employees in this Union.

1.2.3 The granting of recognition to the Union shall not preclude or interfere with the right of employees to represent themselves individually in their employment relationship with the District, as guaranteed in Government Code § 3502, and the District will retain the right to deal directly with employees who have invoked the right to self representation, provided that employees shall not have the right to individually bargain on terms and conditions of employment covered by this MOU. The District shall notify the Union whenever an employee invokes his/her right of self-representation, and shall allow the Union to have input on the issues, and shall consider such input before reaching a decision. The Union shall be advised as to the resolution of the matter(s) upon which the employee has invoked the right of self-representation.

Section 1.3 - TERM

1.3.1 This MOU shall be effective as of June 1, 2013 and shall remain in full force and effect up to and including May 31, 2016.

Section 1.4 - FULL UNDERSTANDING

1.4.1 This MOU sets forth the full and entire understanding of the parties regarding the matters set forth herein, and any other prior or existing understanding or agreements by the parties, whether formal or informal, regarding these matters are hereby superseded or

terminated in their entirety. However, except as modified herein, existing District provisions, resolutions, policies, general instructions, rules and regulations shall continue in full force and effect. The District shall have the right to issue and enforce reasonable written work rules, which shall not be inconsistent with the terms of this MOU or the meet and confer requirements of the MMBA.

1.4.2 It is agreed and understood that during the term of this MOU, each party hereto voluntarily and unqualifiedly waives its right to negotiate, and agrees that the other shall not be required to negotiate, with respect to those matters covered herein.

1.4.3 No agreement, alteration, understanding, variation, waiver or modification of any of the terms or provisions contained herein shall in any manner be binding upon the parties hereto unless made and executed in writing by both parties hereto and if required, approved and implemented by the District's Board of Directors.

1.4.4 Pursuant to Government Code Section 3505.1, this MOU has been jointly prepared by the representatives of the District and the Union who agree that it shall be presented to the Board of Directors for its consideration. Both parties recognize that this MOU is not binding until it has been approved by the Board of Directors and ratified by the members of the Union.

Section 1.5 - PROVISIONS OF LAW

1.5.1 It is understood and agreed this MOU is subject to all applicable federal and state laws and regulations. The parties agree to abide by all such laws and regulations.

1.5.2 There shall be no discrimination on the part of either the District or Union towards any employee on any of the bases forbidden by any state or federal law applicable to the District or Union.

1.5.3 In the event that any court of competent jurisdiction declares any provision of this MOU invalid, such decision shall not invalidate the entire MOU, it being the express intent of the Board of Directors that all other provisions not declared invalid shall remain in full force and effect.

Section 1.6 - MOU DISTRIBUTION/PRINTING

1.6.1 The District agrees to print, collate and distribute to all current and new employees, covered by this agreement, a copy of the MOU.

Section 1.7 - MANAGEMENT RIGHTS

1.7.1 There are no provisions in the MOU that shall be deemed to limit or curtail the District, in any way, in the exercise of the rights, powers, and authority which the District had prior to entering into this MOU unless and only to the extent that the provisions of this MOU specifically curtail or limit such rights, powers and authority.

1.7.2 Without limiting the scope of section 1.7.1, the management rights of the District include the exclusive right to:

a. Determine the mission of its constituent departments.

b. Set standards of service.

c. Determine the procedure and standards of selection for employment, promotion and transfer.

d. Direct its employees.

e. Relieve its employees from duty because of lack of work or for other legitimate reasons.

f. Maintain efficiency of District operations.

g. Determine the methods, means and personnel by which District operations are to be conducted.

h. Determine the content of job descriptions and specifications.

i. Take all necessary actions to carry out its mission in emergencies.

j. Exercise complete control and discretion over its organization and the technology of performing its work.

k. Discipline employees for just cause.

l. Establish reasonable employee performance standards, including, but not limited to, quality and quantity standards, and to require compliance therewith.

m. Determine and change the number of work locations, relocations and types of operations, processes and materials to be used in carrying out all District functions.

1.7.3 Contracting and Subcontracting

The right to contract or subcontract is vested with the District provided that a decision to contract or subcontract which would adversely affect the employment of bargaining unit personnel shall be made only if the District can prove that such contracting or sub-contracting is beneficial to the public's interest. If a decision to contract or subcontract would adversely affect the employment of bargaining unit personnel, the District shall give the Union at least twenty (20) calendar days advance written notice of the impending decision. At the request of the Union, the District would then meet and confer with the

Union before the contracting or subcontracting became effective to discuss alternatives to, and effects of, the contracting or subcontracting. If no agreement were reached in said negotiations, the contracting or subcontracting would proceed. With regard to contracting or subcontracting which would not adversely affect bargaining unit members, the District will give the Union reasonable advance notice of such proposed actions and allow the Union to give its input on the planned contracting or subcontracting.

1.7.4 The exercise and retention of management rights does not preclude employees or the Union from meeting and conferring over the effects that decisions on these matters may have on wages, hours and working conditions.

Section 1.8 - EMPLOYEE STATUS

1.8.1 A "full-time" employee is one who has been hired to work on average a 72-hour workweek and has completed his/her introductory period.

1.8.2 An "introductory employee" is one who has been hired to fill a full-time position in any job classification and has less than twelve (12) continuous months of service with the District. An introductory employee shall serve a probationary period of twelve (12) months following the date of employment, promotion, demotion or transfer. Said period shall provide employee with an opportunity to demonstrate his/her ability to satisfactorily perform the job. An employee's failure to satisfactorily perform the job and meet the required standards may result in termination or in the case of a promoted employee, reversion to his/her former position. Termination of a newly hired employee during the introductory period, or reversion of a promoted employee, shall not be subject to due process or grievance/arbitration procedures. Upon completion of twelve (12) months of continuous service with the District in said classification, the employee shall be granted full-time employment status. Upon mutual agreement of the District and the Union, the introductory period may be extended for one (1) six (6) month period.

ARTICLE 2 - WORKING CONDITIONS

Section 2.1 - WORK SCHEDULES

2.1.1 The work period shall normally consist of twelve (12) twenty-four (24) hour shifts worked within a period of twenty-eight (28) consecutive twenty-four (24) hour periods that begins at 7:00 a.m. Sunday and ends at 6:59 a.m. on the Sunday 28 days thereafter. An annual shift calendar, to be used for planning purposes, shall be provided to each employee a minimum of two (2) weeks prior to the start of the calendar year. The final monthly work schedule, indicating shift days and hours, shall be communicated to each employee at least ten (10) days prior to the start of the month.

2.1.2 Management shall establish such work schedules as may be necessary for the efficient and economical provision of services for the public, and may make such adjustment in work shifts as are, from time to time, required. The District shall give the employees and the Union ten working days notice of any permanent changes in scheduled work shifts

prior to implementation. If the Union wishes to consult with management regarding the proposed changes, it shall notify the District within five working days from receipt of notice. Upon notification by the Union, both parties shall meet promptly in an earnest effort to reach a mutually satisfactory resolution of any problems arising as a result of the proposed changes. Work schedule changes resulting from an emergency situation or circumstances that disrupt normal District operations as determined by management are not subject to the ten working days notice requirement, provided that such changes shall not be made for purposes of avoiding overtime. Any schedule change to reduce overtime shall be subject to the ten working day notice requirement and consultation requirement set forth in this paragraph.

2.1.3 Employees who work 24-hour shifts shall be available and prepared to respond to calls at all times of the day or night. Accordingly those employees shall be based at the fire station and shall be provided with reasonable and adequate meal and sleep periods during each shift and shall receive compensation during those periods. In addition to being available to respond to calls those employees shall perform specific Fire Department duties from 7:00 a.m. to 5:00 p.m.

2.1.4 Lunch periods shall be 60 minutes and shall begin between the hours of 11:00 a.m. and 1:00 p.m. except when call response requires otherwise.

2.1.5 Rest periods shall be taken as operational commitments and call response allow. Total accumulated time for rest periods between 7:00 a.m. and 5:00 p.m. on any given day shall not exceed a maximum of 40 minutes.

2.1.6 Employees on shift shall participate in one hour of daily physical training. Physical training will occur between 7:00 a.m. and 9:00 a.m. or after 4:00 p.m.

Section 2.2 - HEALTH AND SAFETY

2.2.1 The District shall provide a safe and healthful workplace for all employees by complying with all state and federal laws concerning health and safety.

2.2.2 Employees and the Union may exercise all their legal rights to secure a safe and healthful workplace, without any reprisals.

2.2.3 It is the duty of all employees, in the course of their duties, to be alert to unsafe and unhealthful practices, equipment and conditions and to report same to their immediate supervisor. The employee has the right to submit the matter in writing, or through the Union, to the supervisor. On any matter not addressed by the supervisor within a reasonable time, the President of the Union Local or his/her designee shall confer with the Fire Chief to seek a remedy to the health and/or safety practice(s).

2.2.4 The Union and the District agree to establish a Safety Committee, consisting of three (3) Department members. The chairperson shall be a Union member appointed by the Fire Chief.

Section 2.3 - NO TOBACCO USE POLICY

2.3.1 Because we have an interest in keeping all of our employees healthy and productive, the Union and the District agree that there will be no smoking in any District building or District vehicle.

2.3.2 In the best interest of the health and safety of employees and the general public, the use of any tobacco products by employees is strictly prohibited while on duty.

Section 2.4 - DRUG-FREE WORKPLACE

2.4.1 The District's drug and alcohol policy for those positions and employees covered by the United States Department of Transportation Controlled Substances and Alcohol Use and Testing regulations is set forth in Attachment A. Attachment B hereto constitutes the District's summary statement of its compliance with the Drug Free Workplace Act. The District agrees to continue to provide training to supervisors on how to correctly recognize probable cause for testing.

Section 2.5 – MINIMUM STAFFING

2.5.1 The District shall maintain a minimum of four firefighting personnel on duty in the District to meet the 2 in/2 out requirement for interior firefighting operations. The use of volunteer firefighting personnel may be used to satisfy this requirement.

Section 2.6 - PRODUCTIVITY

2.6.1 Both parties recognize that it is to their mutual interest and to the interest of the community to continually strive to improve and to provide the quality, economy and efficiency of the District's work effort and work product.

ARTICLE 3 - GRIEVANCE AND ARBITRATION PROCEDURE

Section 3.1 – GRIEVANCE PROCEDURE

3.1.1 A grievance is an alleged violation of the terms of the MOU or of other written rules or regulations concerning wages, hours or working conditions. The following procedure is the exclusive remedy for pursuing a grievance. Grievances hereunder may be initiated by an employee or by the Union.

3.1.2 Step One: An attempt shall be made to ascertain all facts and adjust all grievances on an informal basis between the employee and the Fire Chief. Verbal presentation of the grievance shall be made within twenty (20) working days after the employee knew or reasonably should have known of the occurrence giving rise to the grievance. The Fire Chief shall respond to the grievance within ten (10) working days of its presentation.

3.1.3 Step Two: If the grievance is not resolved within ten (10) working days of its initial

presentation under Step One, the aggrieved party may file a written appeal with the Personnel Officer within the next five (5) working days. The Personnel Officer or designee shall meet with the employee, and, if the employee desires, the designated Union representative, within ten (10) working days after receipt of the appeal and shall deliver his/her answer, in writing, to the employee within ten (10) working days after the meeting. The deadlines set forth in sections 3.1.2 and 3.1.3 may be extended by mutual written agreement of the District and the grievant and/or Union.

Section 3.2 - ARBITRATION

3.2.1 Grievances which are not resolved pursuant to the procedures set forth above and which the Union desires to appeal, shall be submitted to binding arbitration as set forth in this section, provided that written notice is given to the District by the Union within five (5) working days after the answer of the Personnel Officer or designee under Step Two is rendered. Grievances concerning dismissals, disciplinary demotions and disciplinary suspensions exceeding three (3) 24-hour shifts may be taken to arbitration as provided in section 7.1.4.

3.2.2 Upon receipt of the Union appeal, the parties shall endeavor to agree upon an arbitrator. If no agreement is reached within ten (10) working days after receipt of the appeal, the District shall request the California State Conciliation Service to supply a panel of seven (7) arbitrators. Each party shall alternatively strike a name until only one (1) name remains who shall be the arbitrator. The party who strikes the first name shall be determined by flipping a coin.

3.2.3 The fees of the arbitrator shall be shared equally by the parties. Either party may be represented by an attorney. Either party may order a transcript. The cost of such transcript shall be shared equally if both parties have the use of the transcript but if only one party has the use of the transcript, the non-using party shall not bear any expense pertaining to the transcript. Where both parties wish to have a transcript the parties agree to cooperate in the selection of a qualified reporter. Each party shall bear the expense of the presentation of its own case except that release time shall be granted to one Union representative, the grievant, and any necessary Union witness who is an employee of the District to attend the arbitration.

3.2.4 The arbitrator shall have no power to alter, amend, change, modify, add to, or subtract from any of the terms of the MOU, and shall have no jurisdiction to hear any grievance which is excluded from the grievance-arbitration procedure by the terms of this MOU, or which is not filed or appealed within the time limits of this Article. The decision of the arbitrator shall be based solely upon the evidence presented to him/her by the respective parties in the presence of each other. The arbitrator shall have no authority to hear and issue a decision upon more than one grievance at a time, unless the District and the Union expressly agree otherwise. The arbitrator shall render his/her decision within thirty (30) calendar days after the close of hearing or, where either party desires to submit a post-hearing brief, within thirty (30) calendar days of the submission of the brief. The arbitrator's decision shall be final and binding upon the parties.

ARTICLE 4 - WAGES

Section 4.1 - WAGES

4.1.1 Effective the first full pay period following June 1, 2013, employees shall receive a cost-of-living increase of 2.5% which establishes employee wage ranges as follows:

Title		Minimum	Maximum
Firefighter	Per Hour	10.26	12.74
Engineer	Per Hour	11.83	14.65
Captain	Per Hour	13.91	17.25
Firefighter/Paramedic	Per Hour	11.11	13.59
Engineer/Paramedic	Per Hour	12.68	15.50
Captain/Paramedic	Per Hour	14.76	18.10

When wage ranges are adjusted for cost-of-living increases, the minimum and maximum wage range for paramedic employee titles shall be maintained at $0.85 (85 cents) per hour above the corresponding non-paramedic employee title.

4.1.2 Effective the first full pay period following June 1, 2014, employees shall receive a cost-of-living increase of 2.5%.

4.1.3 Effective the first full pay period following June 1, 2015, employees shall receive a cost-of-living increase of 2.5%.

Section 4.2 - MERIT INCREASE

4.2.1 Introductory employees shall be eligible for merit increase consideration after 26 weeks and upon completion of the introductory period in conjunction with their performance reviews. Approved merit increases will become effective with the first pay period following the completion of a performance review.

4.2.2 Regular employees shall be eligible for merit increase consideration in conjunction with their annual performance review. Approved merit increases will become effective with the first pay period in August.

4.2.3 Merit increases, within the established salary ranges, are not automatic but will be granted based upon performance as determined during the employee's performance evaluation and approved by the Fire Chief. Employees who receive a "Very Good" or

greater performance rating shall receive a 3.0% raise. Employees who receive less than a "Very Good" performance rating shall not be eligible for a merit increase.

4.2.4 An employee who has remained at the highest salary rate for his position for at least a twelve (12) month period shall be eligible for sustained performance compensation on August 1 of each year, contingent upon his/her performance evaluation received annually in July. This compensation will be a one-time payment of 3.0% of the employee's salary if the employee receives a "Very Good" or greater performance rating. An employee receiving less than a "Very Good" performance rating shall not be eligible for sustained performance compensation.

4.2.5 If an employee receives a performance evaluation rating that would cause him/her to exceed the highest salary range for their position, the employee shall be granted the salary increase that would take him/her to the highest salary for their position; plus the difference between the appropriate sustained performance compensation and the actual monetary value of the merit increase granted to reach the highest salary rate for their position.

4.2.6 When an employee is promoted, he/she shall be granted a salary increase that will place the employee's salary rate within the salary range of the new position. The amount of the salary increase shall be a minimum of 4.5% of his/her salary at the time of promotion, provided that such an increase will not place the employee at a rate that is higher than the salary range for the new position. If a 4.5% increase would place the employee's rate above the new salary range, then the employee shall be placed at the highest rate of the specified salary range for the new position.

Section 4.3 - OVERTIME PAY

4.3.1 Overtime compensation of one and one-half times the employee's straight-time rate shall be paid for authorized overtime. Employees assigned to fire protection and emergency medical service duties, as defined by the Fair Labor Standards Act (FSLA), shall receive overtime compensation for all hours worked in excess of 212 hours in each 28-day work period, as established by the District. Whereas Fire Department non-exempt employees receive overtime compensation only for hours worked in excess of 212 hours in each 28-day work period, and scheduled overtime compensation is part of certain employees annual compensation, the District shall consider sick time, vacation time and/or any other type of paid leave taken (except holiday pay) as hours worked for the purpose of calculating overtime compensation.

Section 4.4 – FORCE HIRING

4.4.1 If determined by the Fire Chief or his/her designee that minimum staffing levels are not adequate, and there are no employees available to cover, the Fire Chief or his/her designee may require an employee to work overtime.

Section 4.5 – TIME TRADES

4.5.1 Employees shall have the right to exchange shifts (time trades) providing that an authorization form, approving the adjustment of leave balances or salary when necessary, has been previously signed and submitted. The time trades must be worked within six (6) calendar months or an employee, who owes a time trade at the end of the six (6) calendar month period, will have an equal amount of hours deducted from their vacation leave accruals. If sufficient vacation accruals are unavailable then salary, equivalent to the amount owed, will be deducted. Employees owed a time trade and who are planning on leaving District employment must inform their supervisor, with a minimum two-week notice, of a time trade owed to them. The employee owing the time trade, if unable to work, will have an equal amount of time owed deducted from their vacation leave accruals, or salary. Payment, if necessary and deductions are made at straight time.

4.5.2 Time trades shall be subject to the approval of the Fire Chief. A time trade is considered a change in the work schedule for the purpose of employee accountability. It is neither a method to circumvent leave request procedures nor is it a change for purposes of determining overtime pursuant to the Fair Labor Standards Act and State Law.

Section 4.6 - HOLIDAYS

4.6.1 The following days shall be recognized and observed as paid holidays:

New Years Day	January 1
Martin Luther King, Jr's Birthday	3rd Monday in January
Presidents Day	3rd Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Veterans Day	November 11
Thanksgiving Day	4th Thursday in November
Day after Thanksgiving Day	Friday after Thanksgiving Day
Christmas Eve	December 24
Christmas Day	December 25
New Years Eve	December 31

4.6.2 Employees who are scheduled to work on a holiday shall receive twelve (12) hours pay in addition to their compensation for hours worked. Employees who are not scheduled to work on a holiday shall receive twelve (12) hours pay for that holiday in-lieu of additional time off. Holiday pay shall not be considered as hours worked for the purpose of calculating overtime compensation.

Section 4.7 - CALL BACK PAY

4.7.1 When the employee returns to duty at the workstation at the request of the Fire Chief or his/her designee after said employee has been released from duty and has left the

workstation, said employee shall be entitled to call back compensation. Special tours of duty scheduled in advance are not considered call back hours for the purpose of this section. An employee need not be assigned to on call duty to be entitled to receive call back compensation. Call back compensation shall be paid in the following manner: The employee shall be paid for a minimum of two (2) hour at the overtime rate of pay for each call back occurrence; said compensation shall be in-lieu of any travel time to and from home and the first or last work contact point.

Section 4.8 – DISTRICT DUTY OFFICER

4.8.1 An Engineer assigned to the position of District Duty Officer who has worked fifteen (15) twenty-four hour shifts as District Duty Officer shall be paid the base rate of a Captain or a 2.5% increase over the employee's existing rate, whichever is greater, for any hours worked as District Duty Officer. An Engineer assigned to the position of District Duty Officer who has not previously worked fifteen (15) twenty-four hour shifts as District Duty Officer shall be paid a 2.5% increase over the employee's existing rate for any hours worked as District Duty Officer.

ARTICLE 5 - LEAVE

Section 5.1 - VACATION

5.1.1 Full-time employees shall accrue paid vacation on an annual basis according to the following schedule:

During the first year of continuous work, 3.33 hours per bi-weekly pay period
2nd through 3rd year of service, 6.65 hours per bi-weekly pay period
4th through 14th years of service, 9.97 hours per bi-weekly pay period
After 15th anniversary, 13.30 hours per bi-weekly pay period

5.1.2 Employees may take vacation time after it is earned; there will be no advancement of vacation time. Vacation time may be accumulated. The total accumulated vacation time shall not exceed that amount earned by the employee in two years. The employee will be required to accept compensation in lieu of vacation paid for the vacation time accrued in excess of the maximum in January of each year.

5.1.3 Upon termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination.

5.1.4 An employee shall not accrue vacation time during any unpaid leave.

5.1.5 An employee may elect to take vacation time in case of extended illness where sick time has been fully used.

5.1.6 All employees are encouraged to utilize their accrued vacation each year to allow

employees a time of rest and recreation in order that he/she may return to the work place physically and mentally refreshed. It is required that all employees take at least forty-eight (48) hours of vacation annually. The number of employees on vacation at any given time shall be at the discretion of the Fire Chief.

5.1.7 If an employee becomes ill or injured while on vacation time, that portion may be charged to sick time with approval of the Fire Chief provided a doctor's certificate is submitted confirming the illness/injury and the time period of the illness/injury.

5.1.8 Employees' consideration of work schedules in requesting vacation time is expected, but an employee will not be disciplined for requesting a vacation. No less than four or more hours of vacation may be granted. Vacation time must be requested no later than the workday prior to the requested vacation time. The Fire Chief has discretion in granting or denying vacation time requests based on the workload and scheduling requirements.

5.1.9 An employee may be granted compensation in lieu of vacation, over the 48 hours required to be taken, with the approval of the Fire Chief. Compensation in lieu of vacation under this section shall only be denied for good and sufficient business reason. Such compensation may be given only once per calendar year, unless required by the District. The compensated days will be deducted from the employee's vacation accrual. The request must be provided in writing, verified and submitted to the Fire Chief and the Personnel Officer for approval.

5.1.10 Vacation time may not be used for unexcused absences.

Section 5.2 – SICK TIME

5.2.1 Sick time is defined as absence from work due to illness, non-industrial injury, or quarantine. In addition, dentist and doctor appointments and prescribed sickness prevention measures shall be subject to sick time provided prior notice is supplied to the Fire Chief.

5.2.2 Full-time employees shall earn sick time at the rate of 6.65 hours per bi-weekly pay period.

5.2.3 Sick time is not a privilege, which an employee may use at his/her discretion, but shall be allowed only in case of necessity and actual sickness or disability of the employee, or because of illness in his/her immediate family. "Immediate Family" is defined as being spouse, parents, children, foster or stepchildren, brother, sister, grandparents, grandchildren, father-in-law, mother-in-law, sister-in-law, brother-in-law, or any other person who is a legal dependent of the employee.

5.2.4 In order to receive compensation while on sick time, the employee shall notify the Fire Chief or his/her designee prior to, or within sixty (60) minutes of the time for beginning the regular workday. Failure to personally notify the Fire Chief or his/her designee may result in the time being taken without pay.

5.2.5 Sick time may not be used for unexcused absences.

5.2.6 If absence from duty by reason of illness occurs in excess of two 24-hour shifts, satisfactory evidence such as a Doctor's certificate, may be required by the Fire Chief or the Personnel Officer. If said certificate is not presented upon request, the entire period of said time shall be without pay. The Fire Chief or the Personnel Officer has the authority to request such a certificate, regardless of the length of time of absence.

5.2.7 The use of sick time in a manner inconsistent with this policy is not permitted. Misuse of sick time shall be grounds for disciplinary action up to and including termination. Examples of such abuses include, but are not limited to, the following:

a. Use of more than eight (8) 24-hour shifts per year of sick time unless extenuating circumstances exist and are discussed with the Fire Chief.

b. Excessive occurrences in use; i.e. sick time taken in frequent, small increments unless extenuating circumstances exist and use of time is approved by the Fire Chief.

c. Failure to provide reasonably satisfactory evidence of absence, such as a doctor's certificate, when requested and required by this policy.

d. Chronic occurrences in use of time that can be construed as an intentional extension of normal days off unless extenuating circumstances or satisfactory evidence exists to substantiate such leave.

5.2.8 Unused sick time may be "bought back" by the District for each hour accrued. Said buy back shall be limited only to time over and above the accrued sick hours equal to one year's accrual. Unused sick time balance accrued through the end of the last payroll in November of each year will be considered for buy back if the employee has been employed during the entire preceding 12 month period. This payment shall be made in December. The number of hours for which payment is received for buy back shall be deducted from the accrued balance.

5.2.9 Resignation, termination or discontinuance of employment, with the exception of 5.2.10, from the District for any reason shall result in loss of all accrued sick time.

5.2.10 Upon the death of an employee the District shall compensate the employee's designated beneficiary for his/her accumulated sick time at his/her straight time rate of pay.

Section 5.3 - BEREAVEMENT LEAVE

5.3.1 In the event of a death in the immediate family, an employee may be granted a paid leave of absence not to exceed three (3) 24-hour shifts. This is in addition to regular sick time and vacation time. The Fire Chief or his/her designee may require certification of the death.

5.3.2 "Immediate Family" is defined as being spouse, parents, children, foster or stepchildren, brother, sister, grandparents, grandchildren, father-in-law, mother-in-law, sister-in-law, brother-in-law, or any other person who is a legal dependent of the employee.

Section 5.4. - JURY DUTY

5.4.1 An employee summoned for jury duty or summoned to testify before the court shall notify the Fire Chief upon receipt of notice to appear, in no event less than five (5) days before the commencement of such duty. While serving on duty, he/she will be given a paid leave of absence for the duration of said duty upon written confirmation of attendance from the court. Said paid leave of absence is conditional upon the employee returning to work upon dismissal each day to complete his/her remaining normal workday. Said leave is also conditional upon the employee's conveyance to the District of any compensation received while serving duty, not including any travel allowance received.

5.4.2 An employee shall only be entitled to this leave if the employee notifies the Fire Chief at least five (5) working days prior to the date said jury duty is scheduled to commence.

Section 5.5 - MILITARY LEAVE

5.5.1 Military leave will be granted in accordance with the provisions of state and federal law. If possible, advance notice shall be given to the Fire Chief concerning the time frames required for military leave.

5.5.2 Military leave can be used as time off without pay or as vacation time, but the District will not reimburse the individual his/her normal salary while on military leave unless vacation time is utilized. If under military orders, the employee's position will be maintained for him/her up to a twenty-four (24) month period, although the District may fill it on a temporary basis, if needed.

5.5.3 Leave taken without pay does not allow the employee to continue accruing vacation time, sick time, and other additional benefits that full time regular status employees would receive.

Section 5.6 - PREGNANCY LEAVE

5.6.1 An employee may take leave on account of pregnancy for a reasonable period of time, not to exceed four (4) months. An employee is entitled to use any accrued vacation time or sick time during this period, however, this is considered a period of authorized leave without pay and no other accrual of vacation, holiday or sick time, shall occur during such periods of leave, excepting applicable provisions of "Continuity."

5.6.2 A "reasonable period of time" means that period during which the employee is disabled on account of the pregnancy, childbirth, or related medical conditions. The employee shall give the District reasonable notice of the date the leave will commence and the

estimated duration of the leave.

Section 5.7 - FAMILY AND MEDICAL LEAVE

5.7.1 To be eligible for leave under the FMLA, an employee must have: (1) been employed by the Twentynine Palms Water District for at least 12 months, which need not be consecutive; and (2) worked for the Twentynine Palms Water District at least 1,250 hours during the 12 months immediately preceding the commencement of leave.

5.7.2 Eligible employees will be provided with up to 12 weeks of unpaid leave each year to care for a newborn, adopted, or foster child or for a seriously ill child, parent, or spouse. During any such leave, the District will maintain coverage under the District's medical, dental and vision plans. For purposes of this policy, 'spouse' includes registered domestic partner.

5.7.3 In addition, employees who are unable to perform the functions of their position because of a serious health condition will also be entitled to 12 weeks of unpaid leave. "Serious health condition" is defined as an illness, injury, impairment, or physical or mental condition that entails: (1) inpatient care in a hospital, hospice, or residential medical care facility; or (2) continuing treatment by a health care provider.

5.7.4 To be eligible for leave under the FMLA, the employee will be allowed to use applicable accrued vacation and sick time permitted by the District, for the first part of the 12-week statutory leave. Accrued vacation and sick time may not be added to the end of the 12 weeks of unpaid leave without the Fire Chief's prior approval.

5.7.5 If a husband and wife are both employed by the Twentynine Palms Water District, the total number of workweeks of leave to which both may be entitled shall be limited to 12 weeks if leave is taken for the birth, adoption, or foster placement of a child or for the purpose of caring for a seriously ill parent.

5.7.6 At the end of the leave the employee will be reinstated to their previous position or to an equivalent job with equivalent pay, benefits, and working conditions. However, the employee will not accrue vacation, holiday or sick time or other employment benefits during the leave period, excepting applicable provisions of "Continuity." The Twentynine Palms Water District may also require the employee to obtain medical certification that they are able to resume work. If an employee requests leave for the birth, adoption, or the foster placement of a child, and the need for leave is foreseeable, the employee must provide the Fire Chief with at least 30 days notice.

5.7.7 If the date of the birth, adoption, or foster placement requires that leave begin in less than 30 days, the employee must provide the Fire Chief with as much notice as practicable. If the employee requests leave because of a serious health condition, the employee must provide the Fire Chief with 30 days notice or with as much notice as practicable.

5.7.8 Employees seeking leave on account of a serious health condition must provide the Fire

Chief with medical certification regarding their condition. The Fire Chief may require employees to obtain, at the Twentynine Palms Water District's expense, a second opinion. If the second opinion differs from the first, the Fire Chief may require a third opinion from a mutually agreed on health care provider. If a second or third opinion is requested, the cost shall be borne by the District and the employee shall be compensated for time incurred in obtaining these opinions.

5.7.9 Family care leave taken for the birth, adoption, or foster care placement of a child generally must be taken in blocks of at least two weeks' duration; however, the District will provide employees with family care leave for birth, adoption or foster care placement of less than two weeks ' duration on any two occasions. Family care leaves for the birth, adoption or foster care placement of a child must be concluded within one year of the birth, adoption or placement.

5.7.10 Family care or medical leave for the employee's own serious health condition, or for the serious health condition of the employee's spouse, parent or child, may be taken intermittently or on a reduced schedule where medically necessary. If leave is taken intermittently or on a reduced schedule, the District retains the discretion to transfer the employee temporarily to an alternative position with equivalent pay and benefits which better accommodates the employee's leave schedule.

5.7.11 Attachment D hereto constitutes the District's policy on Military Caregiver Leave and Military Qualifying Exigency Leave.

Section 5.8 - VOLUNTARY UNPAID LEAVE OF ABSENCE

5.8.1 Any employee may be granted a voluntary unpaid leave of absence when approved by the Fire Chief, at his/her discretion. The Fire Chief's decision may be reversed only if the Union proves an abuse of discretion.

Section 5.9 – CATASTROPHIC LEAVE

5.9.1 Upon written request by an employee on leave due to a catastrophic illness or injury, the District is authorized to offer bargaining unit members the opportunity to donate earned sick leave or accrued vacation to an employee in the bargaining unit as eligible leave credits when that employee or that employee's immediate family member suffers from a catastrophic illness or injury. A written confirmation from the doctor of the long term nature of the injury or illness, including the expected recovery period, must be submitted with all requests for catastrophic leave time. The donation and receipt of such credits are subject to the following conditions:

a. "Catastrophic illness or injury" is defined to mean an illness or injury that is expected to incapacitate an employee or a member of an employee's immediate family for an extended period of time, which incapacity requires the employee to take time off from work or care for that family member for an extended period of time, and taking extended time off work creates a financial hardship for the employee because he/she has exhausted

all of his/her sick leave and other paid time off.

b. "Extended period of time" is defined to mean more than sixty (60) consecutive workdays.

c. "Eligible leave credits" are defined to mean vacation leave and sick leave accrued to the donating employee, to the extent that the employee is otherwise eligible to use such leave. An employee cannot donate future vacation leave and sick leave that has not been accrued. Nothing in this Section on catastrophic leave expands the purposes for which sick leave can be used under other applicable provisions of this Agreement, District policy, and applicable law.

d. Employees donating sick leave may not donate any sick leave hours that would cause their sick leave accrual to fall below the number of sick leave hours equal to one year's accrual.

ARTICLE 6 – INSURANCE AND BENEFITS

Section 6.1 – MEDICAL INSURANCE

6.1.1 The District shall provide health insurance for full-time employees through participation in the Association of California Water Agencies Benefits Program through Blue Cross' California Care (HMO) or Prudent Buyer Plan Classic (PPO). Employees will be eligible for coverage after completing two full calendar months of continuous employment.

6.1.2 Effective June 1, 2013, the District shall pay 100% of the monthly premium for the employee and 72.50% of the monthly premium for all qualified dependents, with 27.50% of the monthly premium paid by the employee. Beginning June 1, 2014, the District shall pay 100% of the monthly premium for the employee and 70% of the monthly premium for all qualified dependents, with 30% of the monthly premium paid by the employee.

Section 6.2 – DENTAL INSURANCE

6.2.1 The District shall provide dental insurance for full-time employees and their dependents. Employees will be eligible for coverage after completing two full calendar months of continuous employment.

6.2.2 The District shall pay 100% of the monthly premium for the employee and dependents.

Section 6.3 – VISION CARE BENEFIT

6.3.1 The District shall provide a vision care plan to full-time employees and their dependents. Employees will be eligible for coverage after completing two full calendar months of continuous employment.

6.3.2 The District shall pay 100% of the monthly premium for the employee and dependents.

Section 6.4 - DEFERRED COMPENSATION

6.4.1 All eligible employees may voluntarily participate in the deferred compensation plan(s) offered by the District.

Section 6.5 - CREDIT UNIONS

6.5.1 Employees may become members of the San Bernardino County Central Credit Union or the Pacific Marine Credit Union. Direct deposits to an employee's account(s) may be made after employee authorization.

Section 6.6 - RETIREMENT

6.6.1 For employees hired before January 1, 2013 and employees hired after January 1, 2013, who are not considered "New Members" pursuant to AB 340, employee retirement contributions to the CalPERS retirement plan shall be applied as follows:

a. 2.25% of salary-effective first full pay period following June 1, 2013

b. 4.50% of salary-effective first full pay period following June 1, 2014

c. 6.75% of salary-effective first full pay period following June 1, 2015

Employees hired on or after January 1, 2013, who are considered "New Members" pursuant to AB 340, will make employee retirement contributions pursuant to the formula set forth in AB 340.

6.6.2 Employees hired after January 1, 2013, who are considered "New Members" pursuant to AB 340, shall be placed in the 2.5% at 57 CalPERS formula plan.

Section 6.7 - LIFE INSURANCE

6.7.1 The District will provide group life insurance to regular full-time employees with a benefit of two (2) times the employee's annual rate of pay.

ARTICLE 7 - DISCIPLINARY ACTION OR TERMINATION

7.1.1 The Fire Chief or his/her designee has the authority to discipline or terminate any employee. Employees in the bargaining unit who have completed the twelve-month introductory period may be disciplined or terminated for cause only. The following is an exclusive list of the types of disciplinary actions that may be imposed.

a. Oral or written warnings.

b. Corrective Action Plan - the placing of an individual in a position wherein his/her past and current performance is being re-evaluated pursuant to a written plan containing work direction and goals. A Corrective Action Plan shall not exceed six months in duration. Management will meet with the employee periodically during the action plan period to review progress and shall notify the employee at the conclusion whether the employee has successfully completed the plan. Failure to improve his/her performance or otherwise comply with the corrective action plan will result in further disciplinary action or extension of the corrective action plan period.

c. Suspension - an involuntary absence without pay

d. Demotion - involuntary reduction from a position in one class to a position in another class having a lower salary range

e. Termination - involuntary discharge from service with the District

Article 8 shall govern demotions or terminations resulting from reductions-in-force.

7.1.2 The District shall adhere to the principles of progressive discipline. It is intended that discipline be imposed primarily for corrective purposes and to address deficiencies in work performance. Therefore, discipline ordinarily will be imposed in the order specified in section 7.1.1. Notwithstanding this policy of progressive discipline, it is recognized that certain infractions, because of their seriousness, may warrant imposition of discipline, including dismissal, without first resorting to lesser degrees of discipline. Failure of the employee to respond to the corrective action may also result in further disciplinary action up to and including termination. The following is a nonexclusive list of the more common causes for disciplinary action or termination:

a. Action contrary to personnel rules and regulations of the District.

b. Inefficiency or incompetence.

c. Willful disobedience or insubordination.

d. Dishonesty.

e. Violation of the District's drug and alcohol policies.

f. Possession and/or use of a firearm or other weapon on District premises, in a District vehicle, or while engaged in District business.

g. Disorderly or illegal conduct which adversely affects job performance or fitness for his/her job.

h. Discourteous treatment of the public or fellow employees while on the job or

which adversely affects job performance or fitness for his/her job.

i. Conviction of a felony that adversely affects job performance or fitness for his/her job.

j. Absence without leave for three (3) or more consecutive working days.

k. Neglect of duty.

l. Action incompatible with, or not in the best interest of, public service which adversely affects job performance or fitness for his/her job.

m. Failure to follow safe working practices or failure to report promptly any injury.

7.1.3 In cases of disciplinary suspensions exceeding three (3) 24-hour shifts, disciplinary demotions or terminations, an employee shall be given prior written notification of the proposed disciplinary action. Notification shall include the following: (1) A statement of the proposed action; (2) the reason therefore; (3) the effective date of the disciplinary action; (4) the name, position and authority of the person or persons initiating the proposed disciplinary action; and (5) the notice of the right to respond orally or in writing to the authority imposing the discipline. Except in emergencies, said notice will be given five (5) days before the imposition of the discipline. Copies of materials supportive of the disciplinary action shall be attached to the notification.

7.1.4 An employee may appeal an involuntary suspension exceeding three (3) 24-hour shifts, demotion or termination imposed for disciplinary reasons directly to arbitration as described in Section 3.2 of this MOU. Any other involuntary suspensions, involuntary demotions or involuntary terminations shall be subject to grievance and arbitration as provided in Sections 3.1 through 3.2 of this MOU.

7.1.5 All newly-hired employees will be required to complete a twelve-month introductory period. During the introductory period, employees may be disciplined, including terminated, without cause, without prior notice and without resort to the grievance and arbitration procedure. The District will give employees in their introductory period a formal performance evaluation at the approximate mid-point of the introductory period.

ARTICLE 8 - LAYOFF PROCEDURE

8.1.1 For reasons of economy, efficiency, interest or mandate of the public, reductions or curtailments of the District's services may be required. Any position of employment may be eliminated and the employee holding such position may be laid off or demoted in the event the District Board adopts a policy for a reduction in the District workforce. Layoffs in a position shall be made according to employment status in the following order: introductory employees and regular full-time employees in inverse order of continuity (i.e. least senior employee laid off first, etc.). An employee identified for layoff may, in lieu of layoff, bump a less senior bargaining unit employee in a lower classification for which the employee is qualified. The less senior employee may bump another bargaining

unit employee with less continuity in a position for which the employee is qualified. Successive bumping may occur until a displaced employee is laid off.

8.1.2 The employee(s) and the Union will be given fourteen (14) calendar days notice, in writing, before a layoff is to take place. An employee wishing to bump shall so notify his/her supervisor in writing within five (5) days of receiving such notice. The District shall meet and confer with the Union on such matters as the timing of the layoff, the identity of the employee(s) affected by the layoff and the effects of such layoff respective to the remaining employees represented by the Union.

8.1.3 The names of persons laid off shall be entered upon a re-employment list. The Fire Chief shall consider names on the re-employment list when a vacancy arises in the same or lower position before certification is made from an eligibility list. Names of persons laid off shall be carried on the re-employment list for eighteen (18) months, except that persons appointed to full-time positions of the same level as that from which they were laid off, shall upon such appointment, be removed from the list. An employee recalled from the eligibility list within eighteen (18) months of layoff shall retain his/her original seniority and rate of pay, to include any Cola or salary reduction implemented during the layoff period. The time limit for rehire shall be (12) months for employees who have not completed their original probationary period.

8.1.4 A laid-off employee shall receive severance pay in an amount equal to one weeks' pay for every year of service in excess of one year, up to a maximum of eight (8) weeks of pay.

8.1.5 A laid-off employee shall be entitled to receive compensation for any accumulated sick time at his/her straight time rate of pay. ✓

ARTICLE 9 - PAYROLL DEDUCTIONS

Section 9.1 - MANDATORY DEDUCTIONS

9.1.1 On each payroll the following deductions and payments shall be made to the appropriate agencies: federal income taxes, state income taxes, employee's share to Social Security, Medicare, State Disability Insurance, and Union dues.

Section 9.2 - VOLUNTARY DEDUCTIONS

9.2.1 Employees may authorize the following deductions:

Direct Deposit of paychecks or portions thereof
Credit Union
Life Insurance
Deferred Compensation
United Way
Union PEOPLE
Pay back to Public Employees Retirement System (PERS)

Any other programs authorized by the District

ARTICLE 10 - UNION MEMBERSHIP AND ACTIVITY

Section 10.1 - UNION MEMBERSHIP

10.1.1 Employees in the bargaining unit, as a condition of continued employment, shall either join the Union or pay the Union a service fee in an amount not to exceed the standard initiation fee, periodic dues, and general assessments of the Union for the duration of this agreement. However, any employee who is a member of a bona fide religion, body, or sect which has historically held conscientious objections to joining or financially supporting unions shall not be required to join or financially support the Union as a condition of employment. Such employee may be required, in lieu of periodic dues, initiation fees, or agency shop fees, to pay sums equal to such dues, initiation fees, or agency shop fees to a nonreligious, non-labor charitable fund exempt from taxation under Section 501(c)(3) of the Internal Revenue Code chosen by such employee. Proof of such payments shall be made on a monthly basis to the District as a condition of continued exemption from the requirement of financial support to the public employee or organization.

10.1.2 The Union shall keep an adequate itemized record of its financial transactions and shall make available annually, to the District, and to the employees who are members of the Union, within 60 days after the end of its fiscal year, a detailed written financial report thereof in the form of a balance sheet and an operating statement, certified as to accuracy by its president and treasurer or corresponding principal officer, or by a certified public accountant.

10.1.3 Introductory employees shall be eligible for membership in the union on the first day of the calendar month following 30 days of full-time employment with the District.

Section 10.2 - DUES DEDUCTIONS

10.2.1 The District agrees to provide Union dues deductions for Union members only as long as the Union remains the exclusive representative for the employees within the bargaining unit. The District shall not be liable to the Union, employees or any other person by reason of the requirements of this article for the remittance of any sum other than that constituting actual deductions made from employee wages earned.

10.2.2 Dues shall be deducted from the pay of each employee who signs an authorized payroll deduction card as a monthly sum certified to the District by the Secretary of the Union as the regular monthly Union dues. The amount of dues shall be affixed to each authorization card by the Union. The District will not deduct any pay for initiation fees, fines or other special assessments. Dues deducted shall be a specified uniform amount for each employee and any change in the amount of dues deducted shall be by written authorization from the Union provided, however, that the Union shows proof that the general membership has voted and approved any change in the amount of dues. Such written authorization and proof shall be given to the District's General Manager. The

employee's earnings must be sufficient after other legal and required deductions are made to cover the amount of the dues deduction authorized.

10.2.3 When a member of the Union is in a non-pay status for an entire pay period, and the salary is not sufficient to cover the full withholding, no dues withholding will be made to cover the period from future earnings, nor will the member deposit the amount with the District which would have been withheld if the member had been in a pay status during that period. All other legal and required deductions have priority over employee organization dues. Dues withheld by the District shall be transmitted to the office designated by the Union, in writing, at the address specified in the letter of authorization.

10.2.4 The Union shall indemnify, defend, and hold the District harmless against any claims made, and against any suit instituted against the District in regards to employee organization dues. In addition, the Union shall refund to the District any amounts paid to it in error, upon presentation of supporting evidence.

Section 10.3 - RIGHT TO UNION REPRESENTATIVE/RELEASE TIME

10.3.1 The Union shall provide the District with a written list of persons who have been selected as representatives. Such list will include not more than two (2) District employees in the bargaining unit covered by this MOU.

10.3.2 If an employee reasonably believes that a meeting with his supervisor may result in disciplinary action against him/her, he/she may request the attendance of one Union representative in the meeting. If the meeting will result in disciplinary action against him and no Union representative is available at the time of the meeting, an alternative meeting will be arranged as soon as possible, but at least within five (5) working days.

10.3.3 An employee may be assisted in a grievance or disciplinary matter by a Union representative selected by him/her. Only one Union representative shall be authorized to use District time to assist in any single grievance or disciplinary matter.

10.3.4 Affected employees and the authorized Union representative shall receive reasonable release time to attend a grievance or disciplinary meeting. No more than one (1) grievant shall be authorized release time to attend a grievance meeting.

10.3.5 An employee or the Union representative may request reasonable release time to discuss an issue regarding a grievance or a disciplinary matter and shall first obtain permission from the Fire Chief.

10.3.6 Such release time, if during the employee's scheduled working hours, will be considered as duty time and no penalty shall be assessed.

10.3.7 The Union expressly agrees and warrants that it shall request leave time only for legitimate purposes and in good faith and shall not seek to use release time for any purpose other than the good faith pursuit of grievances or other legitimate purposes. The Union further agrees that it will only pursue grievances, which it, in good faith,

believes are legitimate, and shall not use the grievance process, or seek release time, to cause undue expense or consumption of District time, or for any other improper purpose.

Section 10.4 - ACCESS TO WORK LOCATIONS

10.4.1 Upon prior notice and permission from the Fire Chief, access to employee's work locations shall be granted to stewards and officers of the Union and their officially designated representatives for the purpose of grievances or contacting members concerning business within the scope of representation. Access to the work locations will not interfere with the normal operations of the District, nor shall such business be conducted during working time except in emergencies.

Section 10.5 - BULLETIN BOARDS

10.5.1 The District agrees to provide reasonable space on existing bulletin boards in the following areas: Fire Station 421
Fire Station 422

10.5.2 The Union shall post only formal notices of meetings, elections, names of representatives and officers and other general matters concerning the business of the Union.

10.5.3 All posted matter shall contain the date and Union identification.

10.5.4 The Union shall not post information which is defamatory, derogatory or obscene.

10.5.5 The District agrees the bulletin boards and/or spaces are for Union postings only and all postings and removals shall be done by Union designated members only.

ARTICLE 11 - NO STRIKE

11.1.1 It is the purpose of the MOU to confirm and maintain a spirit of cooperation between the District and its employees. It is recognized that any strike or work disruption would jeopardize the public health, welfare, and safety of the public. Thus, the Union and the District will strive to promote a harmonious relationship between the parties to this MOU that will result in continuous and uninterrupted employee services. It is, therefore, further agreed that the Union shall not, on behalf of itself and its members, individually or collectively, engage in any strike, curtailment or restriction of work at any time during the term of this MOU.

ARTICLE 12 - GENERAL MATTERS

Section 12.1 - CONTINUITY

12.1.1 In regard to introductory and full-time employees in all classifications, length of continuous service with the District will be used as the basis for determining benefits such as sick leave and vacation time.

12.1.2 Length of continuous service shall also be the sole determination of seniority within the District. Continuous service with the District will start with the date of employment and will continue until one of the following occurs:

a. An employee is discharged by the District.
b. An employee voluntarily terminates his/her employment.

Section 12.2 - UNIFORMS & PROTECTIVE CLOTHING

12.2.1 Employees are required to maintain in serviceable and clean condition the following minimum uniform items:
a. (2) Class 'B' shirts
b. (3) Class 'B' pants
c. (5) Fire Department T-shirts
d. (1) ball cap
e. (1) jacket
f. (1) belt with Fire Department buckle
g. (1) pair Cal/OSHA approved boots

12.2.2 Uniforms shall meet the specifications listed in the Fire Department uniform directive. The Fire Chief reserves the right to call a uniform inspection of an employee at any time.

12.2.3 The District will provide an account with a maximum of $900 per fiscal year per eligible employee for the purchase and replacement of the fire department specified uniform. The fire department specified uniform will include the appropriate footwear and comply with OSHA and other required standards. Employees who are on long-term leave of absence (6 pay periods or greater) will have their allowance kept in abeyance until they return to work. If the employee returns to work in the next fiscal year, any unused balance from the previous calendar year will be available for the employee's use upon their return to work. Employees who do not return to work will forfeit any unused and future uniform allowance. Employees who possess an adequate quantity of uniforms in serviceable condition may request approval from the Fire Chief to purchase additional or upgraded safety equipment provided said item meets applicable safety standards. All such purchases and replacements of uniforms shall be made with such vendors as are selected by the district and the district shall make direct payments to the vendors up to the specified amount. Any unused uniform allowance will be forfeited at the end of the fiscal year.

12.2.4 Full-time employees shall be required to obtain and maintain a Class 'A' uniform. Each employee in the bargaining unit will receive a one-time payment of $150 to be used towards the purchase of a Class 'A' uniform. Introductory employees will receive this one-time payment of $150 after successful completion of the introductory period.

12.2.5 The District will provide all required and necessary structure and wildland protective clothing or protective devices required of employees in performance of their duties without cost to the employees. Said clothing and equipment shall remain the property of the District.

Section 12.3 – EDUCATION AND TRAINING

12.3.1 Employees of the Fire Department are encouraged to pursue other educational opportunities which are related to their present work or which may prepare them for foreseeable future opportunities within the District. Under certain circumstances employees may be eligible for reimbursement of the cost of classes.

12.3.2 The District will provide an annual educational reimbursement of Four Hundred Dollars ($400.00) per employee per fiscal year for eligible course costs (tuition, registration, parking, laboratory/materials fees, and books) for approved classes/seminars in the following categories:

Fire Technology/Science	Fire Administration
Public Administration	Business Administration
Education and Instruction	Economics
Mathematics	English
Health Science	Physical Science
Speech Communication	Information & Decision Systems
Political Science	Management & Supervision
Automotive Technology	Environmental Technology

12.3.3 To be eligible for reimbursement of course costs, the employee must receive advance approval for the class(es) from the Fire Chief. Request for reimbursement must be submitted in writing prior to enrollment. The employee will be notified of final approval, or the reasons for disapproval.

12.3.4 Those requests for reimbursement that are received after the class begins will be eligible for only one-half (1/2) of the usual reimbursement upon approval for the class(es) by the Fire Chief.

12.3.5 Reimbursement to employees for approved courses will be based on the following criteria:

a. A refund of the entire eligible course costs, within the limits of the annual educational reimbursement, will be made if the employee received a grade of C or better for the class.

b. No refund will be made to employees who receive a grade at or below a D for the entire class.

12.3.6 Upon completion of the class(es) the employee is responsible for sending copies of the grade slip(s) and expense receipt(s) to the Fire Chief.

12.3.7 Upon approval of the Fire Chief, employees may also be permitted to attend conferences/training sessions that provide a benefit to the Department. The Department will pay costs associated with those conferences/training sessions. If attendance to said conference/training session is not required by the Department but rather is requested by

the employee and approved by the Fire Chief, the Employee shall not be compensated for their time in attendance.

12.3.8 If participation in a class or training session other than those required by the employee's job description is requested by the Fire Chief and accepted by the employee, the Department will prepay tuition and materials. Attendance at training on non-duty days shall be compensated at the employee's overtime pay rate. On a duty day the employee shall be relieved of shift responsibilities during the hours of training and associated travel. If the employee desires not to return to duty after training, the employee shall, prior to the start of the training class, submit for vacation to cover the remainder of the shift(s). Paid training time shall not exceed sixty (60) hours per employee per fiscal year unless approved by the Fire Chief.

Section 12.4 - SELECTION PROCEDURES

12.4.1 Union employees shall be given first consideration for filling all positions covered by the terms of this MOU provided there are two current union employees that meet the minimum qualifications contained in the position job description.

12.4.2 The selection process for any position covered by the terms of this MOU shall have a minimum of two candidates that meet the minimum qualifications contained in the position job description.

12.4.3 The selection process shall consist of a minimum of an oral interview and physical ability test. Other methods of testing appropriate for the position such as a written examination or a skills assessment center may be used as deemed necessary by management.

12.4.4 A current union employee, of equal or higher rank to the position being tested for, if available will participate as an evaluator during the selection process.

Section 12.5 - PERFORMANCE EVALUATIONS

12.5.1 Employees will be given a formal performance evaluation as provided in this section. The format of the evaluation shall provide affected employees with a reasonably complete assessment of their job performance. Newly hired employees shall receive a performance evaluation no later than the six (6) month anniversary of hire, at twelve (12) months after hire and annually in the month of July thereafter. After the one-year anniversary evaluation, all employees will receive a performance evaluation annually during the month of July.

Promoted employees will receive a performance evaluation six (6) month after the promotion date, twelve (12) months after the promotion date and annually in the month of July thereafter.

12.5.2 At least two (2) weeks prior to the evaluation period, employees will be given a self-evaluation form to be completed and shared with the Fire Chief at the time of each performance evaluation. The self-evaluation will become part of the employee's

personnel file after the evaluation discussions have taken place. The employee will receive a signed copy of the Fire Chief's performance evaluation, the original being placed in the employee's personnel file.

12.5.3 A request for reconsideration of the evaluation may be made orally or in writing, but must be made personally to the Fire Chief or delivered to his/her office within five (5) working days after the employee receives the evaluation. The Fire Chief shall consider any oral and written response presented by the employee and shall confirm or modify the evaluation as he/she deems appropriate. The decision of the Fire Chief shall be made in writing and delivered to the employee. Such decision shall be final, binding and not subject to grievance.

Section 12.6 - PERSONNEL FILE

12.6.1 An employee, or an employee's representative with written consent of the employee, can inspect any documents, information and other material that may be in the employee's personnel file. The employee, or his/her representative with written authorization, has the right to receive one copy of anything in the personnel file, which the employee signed or was asked to sign. An employee may have a copy of any other document in the personnel file upon payment of the cost of photocopying at 15¢ per page. The right to inspect and/or to receive copies of materials in the file may be exercised only at reasonable intervals.

12.6.2 Adverse statements prepared by the District shall not be included in such personnel file unless the employee has been given a copy, allowed to read such material and respond to it in writing. Employees will be asked to sign such adverse statements signifying receipt. An employee's refusal or failure to sign shall not affect the District's right to rely on or otherwise use said adverse statements.

Section 12.7 - PAY PERIODS

12.7.1 The pay period for all employees shall be biweekly (26 times a year) and shall incorporate one-half of a 28-day work period. Paychecks will be distributed biweekly on Wednesday following the end of the pay period. When the regular payday falls on a holiday, paychecks will be distributed on the workday immediately preceding such holiday.

12.7.2 Employees requesting payment of wages in advance of regular paydays as defined in 12.7.1, shall submit a written request to the Fire Chief. Advancement of wages prior to a regular payday is not a privilege, which an employee may use at his/her discretion, but may be authorized by the Fire Chief at his/her discretion.

12.7.3 Requests for advancement of wages may be submitted only once in any pay period, and frequent requests shall be grounds for denial of authorization. If an advancement of wages is authorized, the amount advanced will not exceed the wages accrued (excluding applicable deductions) by the employee to the date of said request.

Section 12.8 - USE OF PERSONAL VEHICLE

12.8.1 Use of personal vehicles shall not be authorized for the performance of District work if a suitable District vehicle is available and safely operational.

12.8.2 Qualified employees who are required to utilize vehicles as part of their employment shall be provided a District vehicle when at all possible. In those rare circumstances when a District vehicle is not available, and upon prior authorization by the Fire Chief, an employee may use his/her personal vehicle in the performance of District work. In that circumstance, the employee shall be reimbursed for the cost of said use on the basis of total miles driven and at the rate specified in the Internal Revenue Service Guidelines in effect at the time of said usage.

12.8.3 Proof of adequate insurance covering collision, personal injury and property damage shall be required to be on file with the General Manager of any employee using a personal vehicle in the performance of District work.

Section 12.9 – CERTIFICATIONS AND LICENSES

12.9.1 The District shall pay, or reimburse, employees for course costs, license/certification fees, and DMV medical examinations required to maintain Firefighter endorsed driver licenses and emergency medical agency certifications.

12.9.2 The employee shall not be compensated for his/her time required to attend courses associated with maintaining required licenses and certifications.

Section 12.10 - AUTHORIZED AGENTS

12.10.1 For purposes of administering the terms and provisions of this MOU, the authorized agents of the parties and their mailing addresses are as follows:

District	Fire Chief Twentynine Palms Fire Department 6560 Adobe Road Twentynine Palms, California 92277
Union	Union President Twentynine Palms Professional Firefighters IAFF Local 4266 P.O. Box 1327 Twentynine Palms, California 92277

12.10.2 Any written notices or other written communication between the parties shall be served personally on the authorized agents or by certified mail.

Section 12.11 - FIREFIGHTERS PROCEDURAL BILL OF RIGHTS ACT (FPBRA)

12.11.1 Attachment C hereto constitutes the District's policies and procedures for implementing the Firefighters Procedural Bill of Rights Act (FPBRA).

ARTICLE 13 - UNLAWFUL HARASSMENT POLICY

13.1.1 The Twentynine Palms Water District is committed to providing a work environment free of unlawful harassment. District policy prohibits sexual harassment and harassment based on medical conditions, race, religious creed, color, national origin or ancestry, physical or mental disability, marital status, age, sexual orientation or any other basis protected by federal, state or local law or ordinance or regulation. All such harassment is prohibited.

13.1.2 The District's unlawful harassment policy applies to all persons involved in the operations of the District, including management and co-workers. Under current law, individual supervisors may be personally liable for money damages based on unlawful harassment.

13.1.3 Sexual harassment is sexual behavior that is illegal, unwelcome, and personally offensive. Specifically, in regard to sexual harassment of employees, the regulations of the Fair Employment and Housing Commission of the State of California defines sexual harassment as unwanted sexual advances, or visual, verbal or physical conduct of a sexual nature. This definition includes many forms of offensive behavior and includes gender-based harassment of a person of the same sex as the harasser.

13.1.4 Prohibited unlawful harassment includes, but is not limited to, the following behavior:

a. Verbal conduct such as epithets, derogatory jokes or comments, slurs or unwanted sexual advances, invitations or comments;

b. Visual conduct such as derogatory and/or sexually-oriented posters, photography, cartoons, drawings or gestures;

c. Physical conduct such as assault, unwanted touching, blocking normal movement or interfering with work because of sex, race or any other protected basis;

d. Threats and demands to submit to sexual requests as a condition of continued employment, or to avoid some other loss, and offers of employment benefits in return for sexual favors; and

e. Retaliation for having reported or threatened to report harassment.

13.1.5 If an employee believes he/she has been unlawfully harassed by another employee, the employee should tell the other employee that the employee finds such behavior offensive, that such behavior is against the District's policy, and ask him or her to immediately stop the behavior. It is important to let fellow employees know when an employee considers

such behavior offensive, as the District hires people from a variety of cultural and ethnic backgrounds, and that person may not realize that behavior he or she thinks is proper could be seen by others as offensive.

13.1.6 If an employee believes that he/she has been unlawfully harassed, the employee should provide a written complaint to his/her own or any other supervisor/manager or to the Personnel Officer as soon as possible after the incident. An employee is not required to submit the complaint to his/her supervisor if the supervisor is the person who is committing the unlawful harassment; in that event, the complaint should be submitted to another supervisor. The complaint should include details of the incident or incidents, names of the individuals involved and names of any witnesses. All incidents will be submitted to the Fire Chief who will promptly undertake an effective, thorough and objective investigation of the harassment allegations. If the Fire Chief is the person accused of unlawful harassment, an appropriate replacement will be designated to undertake the investigation.

13.1.7 If unlawful harassment has occurred, effective remedial action will be taken in accordance with the circumstances involved. Any employee responsible for unlawful harassment will be subject to appropriate disciplinary action, up to and including termination. All parties concerned will be advised of the results of the investigation.

13.1.8 All employees are encouraged to report any incidents of harassment immediately so that complaints can be quickly and fairly resolved.

13.1.9 Employees should be aware that the Federal Equal Employment Opportunity Commission and the California Department of Fair Employment and Housing investigate and prosecute complaints of prohibited harassment in employment. If you think you have been harassed or that you have been retaliated against for resisting or complaining, you may also file a complaint with the appropriate agency.

ARTICLE 14 - RENEGOTIATIONS

14.1.1 In the event either party elects to renegotiate a successor MOU, then within 120 to 60 days prior to the expiration of this MOU, such party shall serve upon the other its written request to commence negotiations.

14.1.2 Negotiations shall begin no later than thirty (30) days from the date of the first written request. Each party shall submit written proposals no later than the first negotiation session.

14.1.3 In the event that neither party has served upon the other a written request to commence negotiations, the current MOU shall continue in full force and effect for one year from the expiration date unless both parties mutually agree to reopen.

DATED: April 24, 2013

TWENTYNINE PALMS WATER DISTRICT

By: _____
Kerron E. Moore, President
Board of Directors

DATED: April 24, 2013

TWENTYNINE PALMS PROFESSIONAL FIREFIGHTERS, IAFF LOCAL 4266

By: _____

Name: Lee Martin

Position: President

RECEIVED
DEC 17 2015
LAFCO
San Bernardino County

EMPLOYMENT AGREEMENT BETWEEN JAMES THOMPSON AND THE TWENTYNINE PALMS WATER DISTRICT

THIS EMPLOYMENT AGREEMENT (Agreement) is effective as of September 1, 2013 by and between the Twentynine Palms Water District, a public agency ("District") and James Thompson, an individual (Thompson), who is currently serving as Fire Chief and at the will and pleasure of the District's Board of Directors. The District and Thompson may be referred to individually herein as "Party" or collectively as "Parties."

RECITALS

This agreement is based upon the following facts and/or understandings:

A. Thompson has been continuously employed by the District as Fire Chief since April 21, 2004.

B. The District desires continuity of management, and further desires to continue to employ Thompson as Fire Chief of the District.

C. Thompson desires to continue serving as Fire Chief of the District and will not seek to leave the District for employment with any other CALPERS agency during the term of this agreement.

D. Thompson will retire from the District through CALPERS on January 31, 2017.

E. It is the desire of the District to set forth the salary and benefits and to establish the terms and conditions of employment for Thompson;

NOW, THEREFORE, in consideration of the mutual promises, covenants and terms and conditions set forth herein, the Parties agree as follows;

AGREEMENT

SECTION 1 - EMPLOYMENT AND DUTIES

1.1 The Board of Directors of the District hereby agrees to employ Thompson, and Thompson hereby accepts employment as Fire Chief of the District subject to the terms and conditions set forth in this Agreement.

1.2 District agrees to employ Thompson in the position of Fire Chief to perform the functions and duties set forth in applicable ordinances, resolutions, and other Board policies pertaining to Fire Chief, as same may be amended from time to time, and any successor provisions thereto, and to perform other legally permissible and proper duties and functions consistent with the office of Fire Chief, as the Board of Directors shall from time to time assign.

SECTION 2 - COMMUNICATION WITH BOARD OF DIRECTORS

2.1 Subject to Brown Act requirements, and to the maximum extent reasonably possible, Thompson shall provide his input to and communicate with all Directors simultaneously and shall take direction from the Board of Directors through proper action at duly recognized Board meetings. In any instance where such simultaneous communication with Directors is not feasible, Thompson shall communicate with the President, Vice-President, or other Directors, in that order.

SECTION 3 - TERM

3.1 The term of employment for Thompson shall be deemed to commence on September 1, 2013, and shall continue until January 31, 2017, unless sooner terminated by the Parties pursuant to this Agreement.

3.2 It is understood and agreed that Thompson holds office at the will and pleasure of the District's Board of Directors and that the Board may terminate the services of Thompson at any time for no reason and without cause.

3.3 Thompson may resign, or otherwise terminate his employment, of his own volition at any time upon giving the Board ninety (90) days written notice of resignation. Thompson's resignation shall be deemed accepted upon submission. The Board may release Thompson from employment with the District any time following submission of said resignation; provided, however, if released hereunder, Thompson shall receive his salary and benefits set forth in Sections 6 and 7 of this Agreement for the 90 day notice period.

SECTION 4 - ACTS ENTITLING THOMPSON TO SEVERANCE COMPENSATION

4.1 Thompson shall be entitled to the severance compensation set forth in Section 5 of this Agreement under the following conditions:

(a) If the Board terminates Thompson prior to expiration of the Term, pursuant to Section 3.2, for reasons other than those set forth in Section 8.

SECTION 5 - SEVERANCE COMPENSATION

5.1 In the event that Thompson's employment ceases pursuant to Section 4.1(a) of this Agreement, the District shall pay Thompson a lump sum cash payment in an amount equal to Thompson's monthly salary set forth in Section 6 multiplied by eight (8) or by the number of months left on the unexpired term of the Agreement whichever is less. Thompson shall also be entitled to continue his health benefits as set forth in

Section 7.2 for eight (8) months or for the number of months left on the unexpired term of the Agreement whichever is less.

5.2 The Parties to this Agreement expressly acknowledge and agree that the severance compensation provision set forth in this Section is not a limitation on the District's discretion to terminate Thompson's employment, but rather a means of determining the amount owed to Thompson should the District exercise its discretion to do so.

5.3 Notwithstanding the foregoing, if the Agreement is terminated, the maximum cash settlement that Thompson may receive shall be an amount equal to Thompson's monthly salary multiplied by the number of months left on the unexpired term of the Agreement. However, if the unexpired term of the contract is greater than 18 months, the maximum cash settlement shall be an amount equal to Thompson's monthly salary multiplied by 18.

5.4 In addition, if Thompson were convicted of a crime involving an abuse of his office or position, Thompson would be required to fully reimburse District for any severance benefits provided or any other cash settlement related to his termination, in accordance with Government Code section 53243.2.

SECTION 6 - SALARY

6.1 The District agrees to pay Thompson a salary of $122,682.00 per year, payable in installments and at the same time, and in the same manner, that other District employees are paid and reduced by any payroll taxes and other legally required deductions.

6.2 Thompson shall not be entitled to any salary increase (merit increase or cost of living adjustment) during the term of this agreement.

6.3 Thompson may have his salary reduced at the same time and in the same percentage and/or dollar amounts based upon the same method of computation as any such across the board reductions for other Fire Department employees.

SECTION 7 - BENEFITS

7.1 RETIREMENT. Thompson shall be a member of the District's retirement plan adopted and existing pursuant to contract with the California Public Employees' Retirement System (PERS). The District shall pay the amount of the required employee and employer contribution for the benefit of Thompson, on the same basis as for other full time Fire Department employees.

7.2 MEDICAL, DENTAL, LIFE AND VISION BENEFITS. The District shall provide medical, dental and vision insurance coverage in the same manner and with the same coverage as it provides to its other Fire Department employees.

7.3 LEAVE TIME

(a) Thompson shall accrue, and have credited to his personal account, sick leave, vacation leave, administrative leave and holiday pay on the same basis as other District employees. Thompson agrees not to take any vacation or administrative leave at a time that would adversely impact the Fire Department.

(b) Thompson shall also be entitled to payment for any accrued but unused sick leave and vacation leave upon termination whether through Board action or resignation.

7.4 TERM LIFE INSURANCE. The District shall bear the full cost to provide Thompson with term life insurance coverage using the same formula as other full time Fire Department employees.

7.5 PROFESSIONAL DEVELOPMENT EXPENSES AND DUES. The District shall pay all reasonable and necessary business expenses incurred by Thompson in performing services under this Agreement. Such expenses shall include but shall not be limited to telephone, professional dues, subscriptions, conferences, seminars, certification educational classes and meetings necessary for the Fire Department's continued participation in national, regional, state and local associations and organizations.

7.6 TRAVEL EXPENSES. The District shall pay all travel, accommodation and food expenses incurred by Thompson for conferences, seminars, education and meetings associated or related to the Fire Department's business or professional training and development. Such reimbursement shall be subject to applicable District regulations and practices.

7.7 BONDING. The District shall bear the full cost of any fidelity or other bonds required by law or policy.

7.8 BENEFITS NOT OTHERWISE PROVIDED FOR. Except as otherwise provided herein, the District shall provide Thompson with the same package of benefits as provided to other Fire Department employees.

SECTION 8 - TERMINATION WITHOUT SEVERANCE COMPENSATION

8.1 The District may terminate Thompson without payment of severance compensation only under the following circumstances:

(a) Thompson violates Section 3.3, and/or Section 11 of this Agreement.

(b) Thompson is convicted, pleads guilty, or pleads nolo contendere, to any felony or to a misdemeanor involving dishonesty or moral turpitude.

(c) Thompson's termination is the result of an act that would constitute bribery, perjury, embezzlement, fraud, or other malfeasance.

(d) Any willful breach of this Agreement

(e) Habitual neglect of duties required to be performed under this Agreement.

(f) Any acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude.

8.2 During any investigation into any misconduct alleged against Thompson, if Thompson is provided paid administrative leave and is subsequently convicted of a crime involving an abuse of his office or position, Thompson shall be required to fully reimburse the District any paid leave salary in accordance with Government Code section 53243, as amended.

8.3 Any funds provided for the legal criminal defense of Thompson shall be fully reimbursed to the District if Thompson were convicted of a crime involving an abuse of his office or position, in accordance with Government Code section 53243.1.

SECTION 9 - RESTRICTION ON TERMINATION

9.1 Notwithstanding any other provision of this Agreement to the contrary, the District shall not be obligated hereunder to pay Thompson any amount exceeding the amounts specified in Government Code, Sections 53260 et seq., as existing on the date or any renewal date of this Agreement.

SECTION 10 - PERFORMANCE EVALUATION

10.1 The Board shall evaluate the performance of Thompson not less than once per year and one such evaluation shall occur in July. The criteria used may be added to or deleted as the District may from time to time determine after consultation with Thompson. To the extent permitted by law, said review and evaluation shall be private and confidential, and the results shall be summarized and discussed in Closed Session, to the extent permitted by law, or through some other mutually acceptable non-public means. The parties agree that the primary purpose of such evaluations is to facilitate open and frank discussion, define roles and expectations, identify performance strengths and weaknesses, and to provide an opportunity for Thompson to take affirmative action to address weaknesses and areas needing improvement.

SECTION 11 - EXCLUSIVE EMPLOYMENT

11.1 Thompson shall devote his full time, energy and efforts to the position of Fire Chief, and with the exception of educational instructor of fire certification classes outside of regular business hours, shall accept no outside employment.

SECTION 12 - OTHER TERMS AND CONDITIONS OF EMPLOYMENT

12.1 The Board, in consultation with Thompson, may set forth in writing any such other terms and conditions of employment as they may determine from time to time, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Agreement, any regulations, rules, policies or procedures of the District, or other applicable law.

12.2 DISTRICT agrees that this AGREEMENT shall be binding upon successors and assigns of DISTRICT.

12.3 In the event of any legal action between the parties to enforce the provisions of this Agreement, the prevailing party shall be entitled to reasonable legal fees and costs incurred in the prosecution or defense of the action.

SECTION 13 - NOTICES

13.1 Any notices to be given hereunder by either party to the other in writing may be effected either by personal delivery or by mail. Mailed notices shall be addressed as noted below, but each party may change its address by written notice given in accordance with this Section. Notices delivered personally will be deemed communicated as of actual receipt. Mailed notices will be deemed communicated and received as of five (5) calendar days following the date of mailing of the notice.

TO AGENCY:

President and Board of Directors
Twentynine Palms Water District
Post Office Box 1735
Twentynine Palms, CA 92277

TO THOMPSON:

James Thompson
6763 Indian Cove Road
Twentynine Palms, CA 92277

SECTION 14 - ENTIRE AGREEMENT

14.1 The foregoing contains the entire agreement of the parties and supersedes any and all other agreements, either oral or in writing, between the parties with respect to the employment of Thompson by the District and contains all of the covenants and agreements between the parties with respect to that employment. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding on either party. In addition, the inclusion of Thompson in any benefits or other rights provided to other District employees shall not result in Thompson being deemed an employee with any status other than as set forth in this Agreement and shall not constitute any right to be considered within an employee organization or with any other similar rights.

SECTION 15 - MODIFICATIONS

15.1 Any modifications to this Agreement shall be effective only if in writing and signed by both parties hereto.

SECTION 16 - EFFECT OF WAIVER

16.1 The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this Agreement by the other party shall not be deemed a waiver of that term, covenant, or condition nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

SECTION 17 - PARTIAL INVALIDITY

17.1 If any provision of this Agreement is for any reason deemed by a court of competent jurisdiction to be unconstitutional, illegal, invalid, void, or otherwise unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.

SECTION 18 - GOVERNING LAW

18.1 This Agreement shall be governed by and construed in accordance with the laws of the State of California, in full force and effect as of the date of execution.

SECTION 19 - RIGHT TO LEGAL ADIVCE AND REPRESENTATION

19.1 Thompson acknowledges and agrees that he has been notified and given the opportunity to seek the advice and legal representation of legal counsel in regard to the development and execution of this Agreement. This Agreement shall not be deemed to have been developed by any particular party as a result, the provisions of this Agreement shall not be interpreted in a manner more favorable to either party.

IN WITNESS WHEREOF, the District has caused this Agreement to be signed and duly executed on its behalf by its President, in triplicate, on the _____ day of _____, 2013. Thompson has accepted the terms and conditions set forth in this Agreement as evidenced by his signature below.

TWENTYNINE PALMS WATER DISTRICT

By: _____
Kerron E. Moore, President Date

ATTEST:

By: _____

JAMES THOMPSON

By: _____ 8/28/13
James Thompson Date

Fire Chief Severance Calculation

		Severance Cost
Annual Salary	122,682.00	
Months Remaining	7.00	
Salary Severance (section 5.1)		**$ 71,564.50**
Hourly Rate	58.9816	
Estimated Sick Leave Accrual as of 6/30/16	155.20	
Estimated Vacation Accrual as of 6/30/16	405.95	
Sick & Vacation Leave Severance (section 7.3(b))		**$ 33,097.52**
	Cash Total:	**$ 104,662.02**
Monthly Cost of Medical	1,457.94	
Monthly Cost of Dental	65.20	
Monthly Cost of Vision	17.21	
Monthly Dependent Deduction	(222.50)	
Health Benefits Severance (section 5.1)	**x7**	**$ 9,224.95**
Employer Payroll Taxes		
OASDI Salary Paid as of 6/30/16	64,836.38	
OASDI Employer Cost: (118,500.00-64,836.38) x 6.2%		**$ 3,327.14**
Medicare Employer Cost: 104,662.02 x 1.45%		**$ 1,517.60**
	Total Cost to District	**$ 118,731.72**

2016 OASDI limit is $118,500
Severance is not subject to CA payroll taxes (CASDI, etc.)

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San Bernardino County

385 North Arrowhead Avenue, San Bernardino, CA 92415-0120 | Phone: 909.387-5423 Fax: 909.387.4202

SAN BERNARDINO COUNTY

COUNTY ADMINISTRATIVE OFFICE

Finance and Administration

Mary Jane Olhasso
Assistant Executive Officer
Gary McBride
County Chief Financial Officer

February 2, 2016

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

Subject: 29 Palms Fire Service Annexation Cash Flow Issue

Dear Ms. Rollings-McDonald:

This is to confirm that County Fire and the County Administrative Office are aware of the initial cash deficit associated with the 29 Palms service annexation as a result of balances being retained by the water district and the City to address unfunded pension liability issues. This deficit is not a budgetary deficit, but a cash flow deficit resulting from the time delay between assumption of services and collection of revenue.

County Fire and the County Administrative Office have identified other sources of liquidity to address this issue, including balances on hand at County Fire and the authority under California code to advance property taxes. Further, the County Administrative Office has confirmed with the County Auditor-Controller/ Treasurer/Tax Collector's office that there is sufficient availability within the legal limitations of the property tax advance methodology to accommodate the cash flow deficit associated with the 29 Palms services.

Sincerely,

Gary McBride
County Chief Financial Officer

cc: Mark Hartwig
Don Trapp
John Chamberlin
Valerie Clay

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

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NOV 04 2015
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San Bernardino County

TWENTY-NINE PALMS BAND OF MISSION INDIANS

RESOLUTION NUMBER TC #102115A

Conditional Consent to the Inclusion of the Twenty-Nine Palms Indian Reservation in San Bernardino County Fire Protection District for Purposes of Fire Protection

WHEREAS, the Twenty-Nine Palms Band of Mission Indians (the "Tribe") is a federally recognized Indian tribe possessing powers of sovereign self-governance; and

WHEREAS, Section 6(a) of the Tribe's Articles of Association states that the Tribal Council has the power to establish its own rules of procedure to conduct its affairs; and

WHEREAS, the Twentynine Palms Water District has provided fire protection services to the Tribe on its tribal trust lands ("Reservation") in San Bernardino County; and

WHEREAS, the Local Agency Formation Commission ("LAFCO") for San Bernardino County (the "County") is processing a proposal to reorganize the San Bernardino County Fire Protection District ("SBCFPD") to include the entirety of the Twentynine Palms Water District boundary within the SBCFPD, and to divest the fire function from Twentynine Palms Water District;

WHEREAS, the area proposed for annexation includes the Reservation, as depicted on Attachment #1 hereto; and

WHEREAS, the annexation of the Reservation would be to the SBCFPD's Service Zone FP-5, which carries with it a per parcel annual service fee of approximately $144 per year; and

WHEREAS, the County has requested the Tribe's consent to be included in Service Zone FP-5 of the expanded SBCFPD; and

WHEREAS, the County and LAFCO understand that the Tribe's inclusion does not subject it to County ordinances and regulations; and

WHEREAS, the County and LAFCO further understand that the Tribe's inclusion does not subject the Tribe or the Reservation to the authorities granted to Service Zone FP-5 or the expanded SBCFPD under California Health and Safety Code § 13800 et seq., or to any other authority exercised under state or local law except as explicitly agreed to by the Tribe; and

WHEREAS, with these limitations, the Tribal Council recommends the inclusion of the Reservation into the SBCFPD's Service Zone FP-5; and

NOW THEREFORE BE IT RESOLVED, the Twenty-Nine Palms Band of Mission Indians consents to the inclusion of the Twenty-Nine Palms Indian Reservation into the SBCFPD's Service Zone FP-5 fire protection overlay, provided:

1. This approval shall not be construed as the Tribe's consent to the County's jurisdiction over matters of fire prevention, fire inspection, fire code enforcement, permitting or administrative authority.
2. This approval shall not be construed as the Tribe's consent to any ordinance, code, law, or regulation enacted by the County or its affiliates, agencies, or related entities.
3. The Tribe's consent shall not be construed as explicit or implied consent to any authority exercised by any fire protection district pursuant to California Health and Safety Code § 13800 et seq. or any other related state law or regulation.

BE IT FURTHER RESOLVED, the powers exercised by the governing bodies of San Bernardino County and SBCFPD's Service Area FP-5 are strictly limited to its respective officers, employees, agents, personnel, assets and resources used to respond to emergencies. Under no circumstances shall such powers apply to the Twenty-Nine Palms Band of Mission Indians, its agents, officers, employees, personnel, assets or resources.

BE IT FURTHER RESOLVED, when operating on the Tribe's lands, the management of emergency incidents involving SBCFPD's Service Area FP-5 fire protection district resources shall be conducted using the Incident Command System with an SBCFPD officer as the Incident Commander, provided that within 48 hours after the emergency has been abated, such Incident Commander shall liaise with the Tribe's Director of Public Safety to provide a complete report of the incident.

BE IT FURTHER RESOLVED, this consent is intended to memorialize the understandings between the Tribe and the County as set forth herein, and does not create any conditions not memorialized herein.

BE IT FURTHER RESOLVED, nothing contained in this consent shall be deemed to constitute a waiver or diminution of the Tribe's sovereign immunity from unconsented suit.

BE IT FINALLY RESOLVED, both the Tribe and the County will continue consultations in a government-to-government setting for the purposes of ensuring the continued safety of the Twenty-Nine Palms tribal community and the citizens who visit the Reservation.

CERTIFICATION

The undersigned, Chairman and Secretary for the Twenty-Nine Palms Band of Mission Indians, do hereby certify that Resolution Number TC #102115A was adopted at a duly held meeting of the Tribal Council on October 21, 2015 by a vote of 3 for, 0 against, 1 abstaining.

Darrell Mike, Chairman

Michelle Mike, Secretary

SAN BERNARDINO COUNTY FIRE DISTRICT

157 W. 5th Street, 2nd Floor • San Bernardino, CA 92415-0451 • (909) 387-5974 • Fax (909) 387-5542

Administrative Headquarters

Mark A. Hartwig
Fire Chief/Fire Warden

James Johnstone
Deputy Chief

Don Trapp
Assistant Chief

RECEIVED
JAN 04 2015
LAFCO
San Bernardino County

December 28, 2015

Kathleen Rowlings-McDonald
Executive Director
San Bernardino County LAFCO
215 North D St. Suite #204
San Bernardino, CA. 92401

RE: LAFCO 3199 & 3200 additional proposed area

Dear Kathleen,

During our discussions about LAFCO #3199 and #3200, you presented a map identifying an additional 334 parcels immediately adjacent to the Marine Corps Base Twenty Nine Palms and the Twentynine Palms Water District service area that is currently within the San Bernardino County Fire Protection District.

The San Bernardino County Fire Protection District is not opposed to the movement of these parcels from the South Desert Service Zone into the newly formed FP-5 Twentynine Palms service area. This will ultimately provide an enhanced level of service to the constituents that live or work in the area, as they will be served directly by Fire Station #421 in Twentynine Palms as opposed to the County Fire Station #36 in Joshua Tree.

Should you have any further questions, please do not hesitate to contact me.

Sincerely,

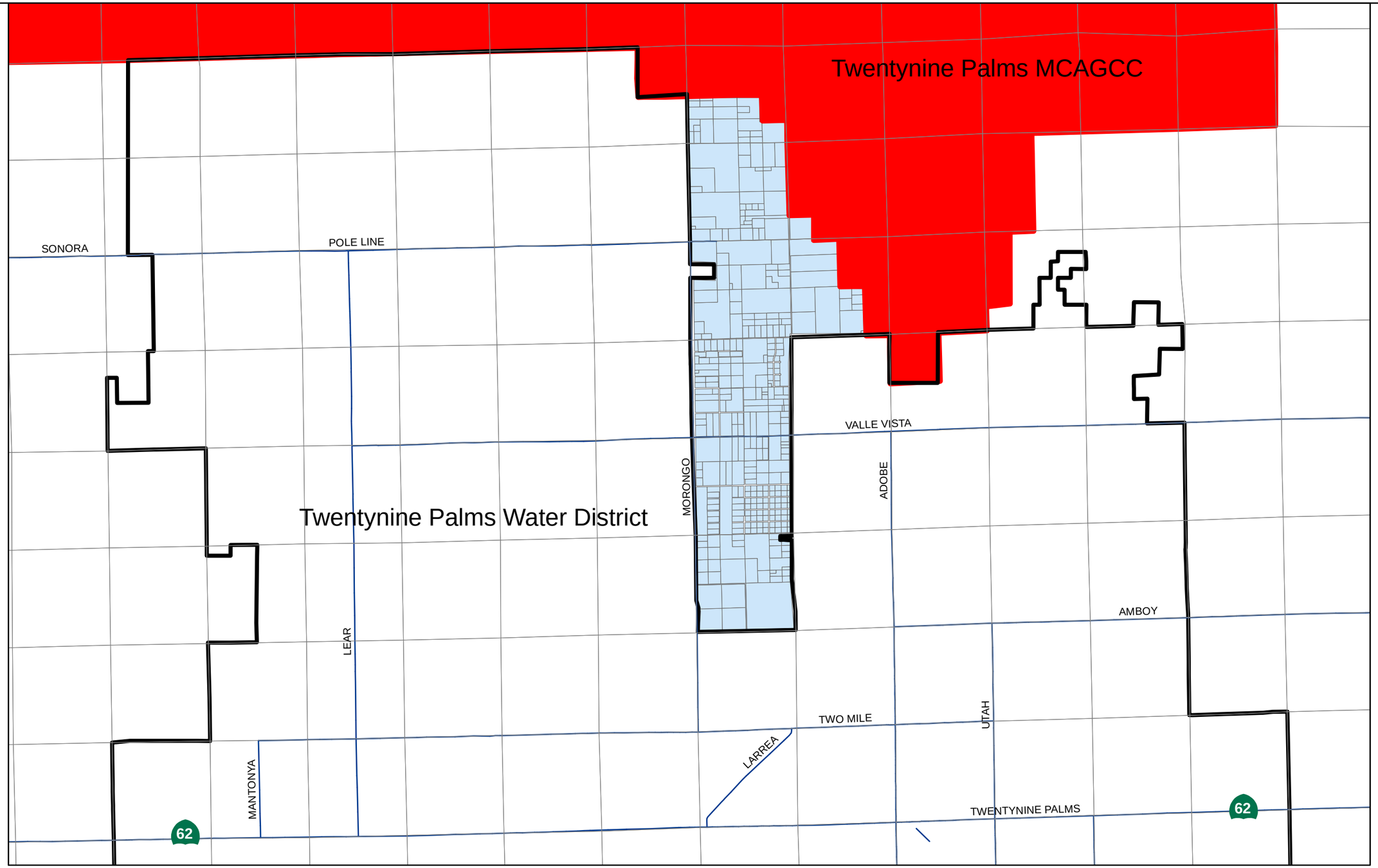
Mark A. Hartwig
Fire Chief/Fire Warden

Proudly Serving:
City of Adelanto
City of Fontana
City of Grand Terrace
City of Hesperia
City of Needles
City of Victorville
Town of Yucca Valley

And the Communities of:
Amboy
Angelus Oaks
Baker
Baldwin Lake
Baldy Mesa
Barton Flats
Big River
Black Meadow Landing
Bloomington
Blue Jay
Cedar Glen
Crestline
Deer Lodge Park
Devore
El Mirage
Fawnskin
Forest Falls
Green Valley Lake
Harvard
Havasu Landing
Helendale
Hinkley
Johnson Valley
Joshua Tree
Lake Arrowhead
Landers
Lucerne Valley
Ludlow
Lytle Creek
Mentone
Mt. Baldy
Mt. Home Village
Mt. Pass
Mt. View Acres
Muscoy
Oak Hills
Oro Grande
Park Moabi
Phelan
Pinon Hills
Pioneer Town
Red Mountain
San Antonio Heights
Searles Valley/Trona
Sky Forest
Spring Valley Lake
Summit Valley
Twin Peaks
Windy Acres
Wonder Valley
Wrightwood

BOARD OF SUPERVISORS

Robert A. Lovingood	Janice Rutherford	James Ramos	Curt Hagman	Josie Gonzales	Gregory Devereaux
Vice Chair, First District	Second District	Chair, Third District	Fourth District	Fifth District	Chief Executive Officer



LAFCO for San Bernardino County

N

Parcels between Twentynine Palms Water District and Twentynine Palms Marine Corps Base

- 29 Palms Water District Boundary
- Twentynine Palms MCAGCC
- Parcels between District & Base
- Section Lines

Twentynine Palms Water District
Supplemental Data:
Letter on Worker's Compensation; Fire Chief Contract Termination Letter, Amendment #1 to the Memorandum of Understanding with Twentynine Palms Professional Firefighters, IAFF Local 4266, and Excerpts of Audits for the Water District Fire Fund for Fiscal Year 2013-14 and 2014-15

Attachment 3

TPWD
TWENTYNINE PALMS WATER DISTRICT

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

Dear Ms. Rollings-McDonald,

Please be advised that there is one (1) existing open workers compensation claim for one of the Twentynine Palms Fire Department's personnel who will transition to the San Bernardino County Fire Department.

Please contact me if you have any questions.

Sincerely,

Ray Kolisz
General Manager
Twentynine Palms Water District

72401 Hatch Road, Twentynine Palms, California 92277 • 760-367-7546 • Fax 760-367-6612 • www.29palmswater.org

TPWD
TWENTYNINE PALMS WATER DISTRICT

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

Dear Ms. Rollings-McDonald,

Please be advised that should the transition of the Twentynine Palms Fire Department to the San Bernadino County Fire Department become effective, the Twentynine Palms Water District ("District") will pay Chief JamesThompson a lump sum payment equal to the amount of his monthly salary multiplied by the number of months remaining on his contract pursuant to Section 5 of the Employment Agreement between Chief Thompson and the District. This is estimated to be 7 months should the transition occur as planned on July 1, 2016. Also pursuant to Section 5 of the Employment Agreement, the District will continue to pay Chief Thompson's health benefits for that 7 month period.

Please contact me if you have any questions.

Sincerely,

Ray Kolisz
General Manager
Twentynine Palms Water District

23707.00017\24442799.1
2/3/16

72401 Hatch Road, Twentynine Palms, California 92277 • 760-367-7546 • Fax 760-367-6612 • www.29palmswater.org

AMENDMENT #1
TO THE
MEMORANDUM OF UNDERSTANDING
BETWEEN
TWENTYNINE PALMS WATER DISTRICT
AND
TWENTYNINE PALMS PROFESSIONAL FIREFIGHTERS, IAFF LOCAL 4266
June 1, 2013 to May 31, 2016

1. PURPOSE

This amendment to the Memorandum of Understanding (hereafter known as MOU) is entered into by and between the Twentynine Palms Professional Firefighters, IAFF Local 4266 (hereafter known as the Union) and the Twentynine Palms Water District (hereafter known as the District) for the purpose of creating a transition for the current Union employees from the District to the San Bernardino County Fire Protection District (hereafter known as County Fire) as part of the LAFCO 3200 annexation proposal (hereafter known as the Annexation).

The term of the current MOU is extended to July 1, 2016, which is the projected effective date of the Annexation.

In the event the Annexation is not successfully completed and fire protection services remain with the District, the Union and the District agree to commence negotiations for a successor MOU within 30 days from the termination of the Annexation process.

2. EMPLOYMENT

County Fire agrees to offer employment to current District Union employees (currently 2 Captains and 2 Engineers). This offer will be at the rank of Fire Engineer subject to the extent that each employee successfully passes, in the sole determination of County Fire, the background check, including review of their District personnel file, training records and applicable certificates, pre-employment physical, and drug test required by County Fire.

Failure to pass the required background check/pre-employment physical or drug test shall disqualify an employee from employment with County Fire.

In the event that a District employee is disqualified from employment with County Fire, then at the date of Annexation, the employee shall be separated from the District in accordance with "Article 8-Layoff Procedures" of the current MOU.

3. SALARY

District employees work a 72-hour work week whereas County Fire employees work a 56-hour work week resulting in District employees having a lower hourly rate than County Fire employees. District employees will be offered a salary step within the Fire Engineer salary range for County Fire that is closest to the employee's current annual District salary, so the employee does not lose pay.

4. SICK AND VACATION LEAVE

At the date of Annexation, for each District employee, the sick time and vacation leave hours balance will be totaled together and multiplied by the employee's basic hourly rate to establish an overall cash value. Based on the cash value established for each employee, the District will:

First, remit to County Fire the cash value required to establish up to a maximum of 240 hours of sick time leave for said employee.

Second, if an employee has any remaining cash value, remit to County Fire the cash value required to establish up to a maximum of 96 hours of vacation time for said employee.

Third, if an employee has any remaining cash value, compensate the remaining cash value as part of said employee's final pay upon separation from the Water District.

5. PROBATIONARY PERIOD

No employees of the District are currently on probation. Therefore, in the transition to County Fire, no employees would be placed back on probation.

6. SENIORITY

Employees of the Union will retain their original hire date with the District for purposes of seniority with County Fire. This seniority date is specific to opportunities at County Fire regarding time of service, annual bid rights, and transfers within County Fire.

For the purposes of any potential employee layoff procedures at County Fire, the effective date of the Annexation to County Fire would be the effective date as a new county employee and County of San Bernardino Rules and Regulations would apply.

DATED: _____, 2016

TWENTYNINE PALMS WATER DISTRICT

By: _____
Kerron E. Moore, President
Board of Directors

DATED: _____, 2016

TWENTYNINE PALMS PROFESSIONAL FIREFIGHTERS, IAFF LOCAL 4266

By: _____

Name: _____

Position: _____

TPWD to SBCFPD Sick/Vacation Leave Calculations

	Total Cash Value	TPWD to SBCFPD for Sick/VAC	Cash Out to Employee
Employee #1	$7,306.07	$7,306.07	$0.00
Employee #2	$8,356.05	$8,356.05	$0.00
Employee #3	$11,388.24	$9,320.64	$2,067.60
Employee #4	$10,323.79	$8,342.88	$1,980.91
Totals	$37,374.15	$33,325.64	$4,048.51

If employees utilize any sick or vacation time between now and 6/30/16, these totals will be reduced.

TPWD to SBCFPD Sick/Vacation Leave Calculations

Employee #1

		SICK	VACATION
TPWD Basic Hourly Rate	$15.40		
Leave Accrual Rate		6.65	13.30
Balance as 1/30/16		206.15	48.82
To Be Earned (11 pay/prd)		73.15	146.30
Projected Balance 6/30/16		279.30	195.12
Cash Value		$4,301.22	$3,004.85
Total Cash Value	$7,306.07		
SBCFPD Basic Hourly Rate	$23.26		
Total Hours Avaliable	314.10		
240 Hours of Sick Time	$5,582.40	240.00	
Up to 96 Hours of Vacation	$1,723.67		74.10
TPWD to SBCFPD Transfer	$7,306.07		
Cash to Employee	$0.00		

TPWD to SBCFPD Sick/Vacation Leave Calculations

Employee #2

		SICK	VACATION
TPWD Basic Hourly Rate	$17.97		
Leave Accrual Rate		6.65	9.97
Balance as 1/30/16		182.15	100.03
To Be Earned (11 pay/prd)		73.15	109.67
Projected Balance 6/30/16		255.30	209.70
Cash Value		$4,587.74	$3,768.31
Total Cash Value	$8,356.05		
SBCFPD Basic Hourly Rate	$27.13		
Total Hours Avaliable	308.00		
240 Hours of Sick Time	$6,511.20	240.00	
Up to 96 Hours of Vacation	$1,844.85		68.00
TPWD to SBCFPD Transfer	$8,356.05		
Cash to Employee	$0.00		

TPWD to SBCFPD Sick/Vacation Leave Calculations

Employee #3

		SICK	VACATION
TPWD Basic Hourly Rate	$18.12		
Leave Accrual Rate		6.65	9.97
Balance as 1/30/16		206.85	238.82
To Be Earned (11 pay/prd)		73.15	109.67
Projected Balance 6/30/16		280.00	348.49
Cash Value		$5,073.60	$6,314.64
Total Cash Value	$11,388.24		
SBCFPD Basic Hourly Rate	$27.74		
Total Hours Avaliable	410.53		
240 Hours of Sick Time	$6,657.60	240.00	
Up to 96 Hours of Vacation	$2,663.04		96.00
TPWD to SBCFPD Transfer	$9,320.64		
Cash to Employee	$2,067.60		

TPWD to SBCFPD Sick/Vacation Leave Calculations

Employee #4

		SICK	VACATION
TPWD Basic Hourly Rate	$16.25		
Leave Accrual Rate		6.65	9.97
Balance as 1/30/16		206.15	246.34
To Be Earned (11 pay/prd)		73.15	109.67
Projected Balance 6/30/16		279.30	356.01
Cash Value		$4,538.63	$5,785.16
Total Cash Value	$10,323.79		
SBCFPD Basic Hourly Rate	$24.83		
Total Hours Avaliable	415.78		
240 Hours of Sick Time	$5,959.20	240.00	
Up to 96 Hours of Vacation	$2,383.68		96.00
TPWD to SBCFPD Transfer	$8,342.88		
Cash to Employee	$1,980.91		

Twentynine Palms Water District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2015

	Fire Protection Fund	Exlporers Fund	Total
REVENUES			
Fire protection special tax	$ 1,261,135	$ -	$ 1,261,135
Investment earnings	2,642	-	2,642
Intergovernmental	16,622	-	16,622
Fines, penalties and other	69,282	-	69,282
Donations	-	4,942	4,942
Total revenues	1,349,681	4,942	1,354,623
EXPENDITURES			
Current:			
Staff payroll and benefits	681,563	-	681,563
Volunteer payroll and benefits	119,211	-	119,211
Facilities maintenance and supplies	8,999	-	8,999
Utilities	21,358	-	21,358
Outside services	23,666	-	23,666
Miscellaneous	20,278	-	20,278
Insurance	25,837	-	25,837
Overhead	46,236	-	46,236
Training	3,921	-	3,921
Communications	85,665	-	85,665
Fire prevention	4,065	-	4,065
Emergency medical services	3,967	-	3,967
Apparatus maintenance	69,775	-	69,775
Uniforms	16,158	-	16,158
Explorers	-	3,707	3,707
Total expenditures	1,130,699	3,707	1,134,406
Excess of revenues over expenditures	218,982	1,235	220,217
OTHER FINANCING SOURCES			
Transfers in	57,008	-	57,008
Total other financing sources	57,008	-	57,008
Net change in fund balance	275,990	1,235	277,225
Fund balance, beginning	1,046,017	-	1,046,017
Fund balance, end of year	$ 1,322,007	$ 1,235	$ 1,323,242

The accompanying notes are an integral part of these financial statements.

Twentynine Palms Water District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities
For the year ended June 30, 2015

Net change in fund balances-total governmental funds	$	277,225
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation		(80,784)
The issuance of long-term debt provides current financal resources to governmental funds while the repayment of debt service principal and capital lease liabilities are expenditures in the governmental funds. The repayment reduces long-term liabilities in the statement of net position.		
Pension - related net adjustments		12,173
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental fund.		
Net change in compensated absences		365
Change in net position of governmental activities	$	208,979

The accompanying notes are an integral part of these financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues within the current fiscal period. Only that portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The government reports the following major governmental funds:

The *Fire Protection Fund* is used to account for the District's fire activities.

The *Explorers Fund* is used to account for the donations received from a third-party not-for-profit organization that supports the District's explorer program.

The government reports the following major proprietary fund:

The *Water Fund* is used to account for the District's utility services.

The District has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Compensated Absences Liability

Employees are entitled to accumulate vacation leave. The total accumulated vacation time shall not exceed that amount earned by the employee in two years, not to exceed a maximum of 24 days per year, 48 days in a two year period. The employee will be required to accept compensation in lieu of vacation for the vacation time accrued in excess of the maximum in January of each year. Upon termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

Sick leave with pay will be granted to each employee at the rate of (1) day per month. Accumulated sick leave will not be paid to employees upon termination of employment. In December of each year, as long as a water department employee has accrued in excess of 5 days sick leave, he/she may choose to either be paid for any sick leave in excess of the 5 days or leave it to accumulate. Employees who do not utilize unused sick leave accrued in excess of 5 days between December 1st and November 30th each year, may be reimbursed at the rate of 100 percent if they have been employed during the entire period. Fire department employees have the same option to be reimbursed for excess accrued sick leave; however, they can only be reimbursed for accruals in excess of 12 days. This payment shall be included in the December payroll. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

3) ASSESSMENTS

The Water Fund receives water availability assessments of $30 for each parcel that is one acre or less, whether serviced or unserviced. These amounts are increased by amounts ranging from $7.50 to $8.00 per acre for incremental acreage.

The governmental fund receives a fire suppression special tax of $80 for each unit. The units range in size from .25 to 1.0 for residential and from 1.0 to 4.0 for commercial, industrial and institutional units. The nonresidential units are based on the formula of one unit per each 3,000 square foot or portion thereof, or one unit per business/occupancy, whichever is greater. All parcels (improved or unimproved) greater than 5.0 acres shall be taxed an additional amount of $2.00 per acre for each acre, or portion thereof, in excess of 5.0 acres.

The large parcel amount shall not exceed the amount of $150.00 per parcel per fiscal year and shall be in addition to the basic tax amount imposed upon any parcel greater than 5.0 acres.

4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental activities:	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated:				
Land	$ 57,519	$ -	$ -	$ 57,519
Total capital assets not being depreciated	57,519	-	-	57,519
Capital assets being depreciated:				
Structures	811,954	-	-	811,954
Fire trucks	1,382,493	-	-	1,382,493
Fire equipment	435,426	-	-	435,426
Communication equipment	75,221	-	-	75,221
Office equipment	47,142	-	-	47,142
Total capital assets being depreciated	2,752,236	-	-	2,752,236
Less accumulated depreciation	(2,159,794)	(80,784)	-	(2,240,578)
Net capital assets being depreciated	592,442	(80,784)	-	511,658
Net capital assets	$ 649,961	$ (80,784)	$ -	$ 569,177

3) ASSESSMENTS

The Water Fund receives water availability assessments of $30 for each parcel that is one acre or less, whether serviced or unserviced. These amounts are increased by amounts ranging from $7.50 to $8.00 per acre for incremental acreage.

The governmental fund receives a fire suppression special tax of $80 for each unit. The units range in size from .25 to 1.0 for residential and from 1.0 to 4.0 for commercial, industrial and institutional units. The nonresidential units are based on the formula of one unit per each 3,000 square foot or portion thereof, or one unit per business/occupancy, whichever is greater. All parcels (improved or unimproved) greater than 5.0 acres shall be taxed an additional amount of $2.00 per acre for each acre, or portion thereof, in excess of 5.0 acres.

The large parcel amount shall not exceed the amount of $150.00 per parcel per fiscal year and shall be in addition to the basic tax amount imposed upon any parcel greater than 5.0 acres.

4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental activities:	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated:				
Land	$ 57,519	$ -	$ -	$ 57,519
Total capital assets not being depreciated	57,519	-	-	57,519
Capital assets being depreciated:				
Structures	811,954	-	-	811,954
Fire trucks	1,382,493	-	-	1,382,493
Fire equipment	435,426	-	-	435,426
Communication equipment	75,221	-	-	75,221
Office equipment	47,142	-	-	47,142
Total capital assets being depreciated	2,752,236	-	-	2,752,236
Less accumulated depreciation	(2,159,794)	(80,784)	-	(2,240,578)
Net capital assets being depreciated	592,442	(80,784)	-	511,658
Net capital assets	$ 649,961	$ (80,784)	$ -	$ 569,177

6) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Transfers to / from Other Funds

	Transfers in: Fire Protection
Transfers out:	
Water Fund	$ 57,008
Total	$ 57,008

The amount transferred to Fire Protection from the Water Fund was the Fire Protection's share of rent revenues from the lease of a cell site on Donnell Hill. Total lease revenues for the year were $114,016 of which 50% were transferred to the Fire Protection Fund.

7) LONG-TERM DEBT

The following is a summary of changes in governmental activities and business-type activities long-term debt for the year:

Governmental activities:	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Net pension liability*	$ 643,079	$ -	$ 161,282	$ 481,797	$ -
Compensated absences	31,607	46,420	46,785	31,242	7,811
Total long-term debt - governmental activities	$ 674,686	$ 46,420	$ 208,067	$ 513,039	$ 7,811
Business-type activities:					
Lease payable	$ 18,170	$ -	$ 3,825	$ 14,345	$ 3,825
Net pension liability*	1,984,225	-	704,252	1,279,973	-
Net OPEB obligation	445,365	153,403	37,134	561,634	-
Compensated absences	49,806	119,169	117,643	51,332	12,833
Total long-term debt - business-type activities	$ 2,497,566	$ 272,572	$ 862,854	$ 1,907,284	$ 16,658

* The beginning balance of the net pension liability resulted from the implementation of GASB Statement No. 68. The entire net pension liability is reported as a noncurrent liability in the accompanying Statement of Net Position in accordance with GASB Statement No. 68.

13) FIRE PROTECTION

Over the past several years, the Fire Protection fund has incurred negative net changes in fund balance and has had budget deficits. Currently the fund had a positive net change in fund balance as a result of closing two fire stations beginning June 1, 2013. The fund continues to look for ways to reduce costs and increase revenue via the emergency services fees. On August 8, 2015, the Board approved the District to initiate the Local Agency Formation Commission (LAFCO) application procedures for the possible annexation of the Fire Protection Services to the San Bernardino County Fire District.

Twentynine Palms Water District
Budgetary Comparison Schedule
Governmental Fund Type – Fire Protection
For the year ended June 30, 2015

	Budgeted amounts		Actual	Variance with final
	Original	Final	amounts	budget
REVENUES				
Fire protection special tax	$ 1,200,000	$ 1,200,000	$ 1,261,135	$ 61,135
Investment earnings	2,000	2,000	2,642	642
Intergovernmental	2,700	2,700	16,622	13,922
Fines, penalties and other	38,000	38,000	69,282	31,282
Total revenues	1,242,700	1,242,700	1,349,681	106,981
EXPENDITURES				
Staff payroll and benefits	718,167	718,167	681,563	36,604
Volunteer payroll and benefits	136,500	136,500	119,211	17,289
Facilities maintenance and supplies	9,600	9,600	8,999	601
Utilities	19,850	19,850	21,358	(1,508)
Outside services	97,400	97,400	23,666	73,734
Miscellaneous	17,650	17,650	20,278	(2,628)
Insurance	27,200	27,200	25,837	1,363
Overhead	46,236	46,236	46,236	-
Safety	30,000	30,000	-	30,000
Training	9,900	9,900	3,921	5,979
Communications	90,500	90,500	85,665	4,835
Fire prevention	4,000	4,000	4,065	(65)
Emergency medical services	4,300	4,300	3,967	333
Apparatus maintenance	99,000	112,000	69,775	42,225
Uniforms	12,500	12,500	16,158	(3,658)
Total expenditures	1,322,803	1,335,803	1,130,699	205,104
Excess of revenues over expenditures	(80,103)	(93,103)	218,982	312,085
OTHER FINANCING SOURCES				
Transfers in	-	-	57,008	57,008
Total other financing sources	-	-	57,008	57,008
Net change in fund balance	$ (80,103)	$ (93,103)	275,990	$ 369,093
Fund balance, beginning of year			1,046,017	
Fund balance, end of year			$ 1,322,007	

6) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Due to / from Other Funds

Amounts due to and due from other funds represent amounts payable or receivable that are expected to be paid within one year, unless otherwise noted. Amounts due to/from other funds are summarized below:

	Payable fund: Fire Protection
Receivable fund:	
Water Fund	$ 6,707
Total	$ 6,707

The amount owed to the Water Fund from Fire Protection is to cover a deficit cash position as of June 30, 2014. This amount is anticipated to be repaid from future operations.

Transfer to / from Other Funds

	Transfers in: Fire Protection
Transfers out:	
Water Fund	$ 60,854
Total	$ 60,854

The amount transferred to Fire Protection from the Water Fund was the Fire Protection's share of rent revenues from the lease of a cell site on Donnell Hill.

8) EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriation in the Fire Protection Fund are as follows:

Fund	Expenditures	Appropriations	Excess
Fire Protection	$ 1,186,785	$ 1,182,000	$ (4,785)

9) DISTRICT EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

The Twentynine Palms Water District contributes to the California Public Employees Retirement System (PERS), a cost-sharing, m ultiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The contract offers a "3 percent at 60" for Miscellaneous Plan Members and "3 percent at 55" for Safety Plan Members. 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 District ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 8 percent for the Miscellaneous Plan or 9 percent for the Safety Plan of their annual covered salary. As of January 1, 2014, Miscellaneous Plan participants began paying 4 percent of their required contribution and the District contributes the remaining 4 percent of the required contribution. As of June 8, 2014, Safety Plan participants began paying 4.5 percent of their required contribution and the District contributes the remaining 4.5 percent of the required contribution. The District is also required to contribute at an actuarially determined rate. The required employer contribution rates for the fiscal year 2013-14 were 16.866 percent for miscellaneous employees, and 20.318 percent for safety employees. The contribution requirements for plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

THREE YEAR TREND INFORMATION FOR MISCELLANEOUS PLAN

Fiscal year ended	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
June 30, 2012	$ 224,527	100%	$ -
June 30, 2013	203,137	100%	-
June 30, 2014	214,917	100%	-

12) COMMITMENTS AND CONTINGENCIES

The District, from time to time, participates in various federal, state and local grant programs, the principal of which are subject to various program compliance audits. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

13) PRIOR PERIOD RESTATEMENT

Governmental Fund

Fire Protection	
Fund balance - beginning, as previously reported	$ 859,097
Prior period adjustment	
Assessments receivable	(32,346)
Fund balance - beginning, as restated	$ 826,751

The $32,346 prior period adjustment is due to the District's determination that a new assessment receivable estimate methodology would be more consistent with actual assessment collected by the District. Management determined that a 3 year average of prior period assessments received is a more appropriate estimate of the District's assessment receivable.

14) FIRE PROTECTION

Over the past several years, the Fire Protection fund has incurred negative net changes in fund balance and has had budget deficits. Currently the fund had a positive net change in fund balance as a result of closing two fire stations beginning June 1, 2013. The fund continues to look for ways to reduce costs and increase revenue via the emergency services fees.

Twentynine Palms Water District
Budgetary Comparison Schedule –
Governmental Fund Type – Fire Protection
For the year ended June 30, 2014

	Budgeted amounts		Actual	Variance with final
	Original	Final	amounts	budget
REVENUES				
Fire protection special tax	$ 1,200,000	$ 1,200,000	$ 1,234,157	$ 34,157
Investment earnings	2,800	2,000	2,040	40
Intergovernmental	-	-	7,291	7,291
Fines, penalties and other	39,000	39,760	101,709	61,949
Total revenues	1,241,800	1,241,760	1,345,197	103,437
EXPENDITURES				
Staff payroll and benefits	688,624	693,700	695,180	(1,480)
Volunteer payroll and benefits	138,600	116,400	112,518	3,882
Facilities maintenance and supplies	9,080	15,500	12,241	3,259
Utilities	22,635	22,900	23,007	(107)
Outside services	71,310	71,300	73,115	(1,815)
Miscellaneous	18,925	10,000	14,431	(4,431)
Insurance	24,600	26,600	25,638	962
Overhead	45,608	45,600	45,608	(8)
Safety	1,000	500	606	(106)
Training	10,100	8,500	8,443	57
Communications	90,000	88,600	87,961	639
Fire prevention	4,000	5,200	3,850	1,350
Emergency medical services	4,500	3,600	3,272	328
Apparatus maintenance	68,000	69,500	68,775	725
Uniforms	12,500	4,100	12,140	(8,040)
Total expenditures	1,209,482	1,182,000	1,186,785	(4,785)
Excess of revenues over expenditures	32,318	59,760	158,412	98,652
OTHER FINANCING SOURCES				
Transfers in	57,500	57,500	60,854	3,354
Total other financing sources	57,500	57,500	60,854	3,354
Net change in fund balance	$ 89,818	$ 117,260	$ 219,266	$ 102,006
Fund balance, beginning of year as restated			826,751	
Fund balance, end of year			$ 1,046,017	

Management's Discussion and Analysis

As management of the Twentynine Palms Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information contained within this overview and analysis in conjunction with the financial statements and the related notes.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2014 by $32,303,372 *(net position)*. It is important to note that this amount represents assets less liabilities. Accordingly, some assets are not available to meet the near-term financial requirements of the District. Of this amount, $6,914,267 *(unrestricted net position)* may be used to meet the ongoing obligations to citizens and creditors of the District in addition to paying for capital projects that have been approved by the Board of Directors and appropriated but are not complete.

- Total revenues of the Water Fund decreased by $71,113 or 1.5 percent, while the total revenues of the Fire fund increased by $61,235, or 4.8 percent.

- Total expenses of the Water Fund decreased $20,399; or approximately 0.47 percent, and total Fire fund expenses (excluding capital outlay) decreased by $239,090; or approximately 18.75 percent compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Twentynine Palms Water District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Financial Analysis of Governmental and Business-type Activities

The following table sets forth a summary of activities for each of the District's funds, Fire and Water.

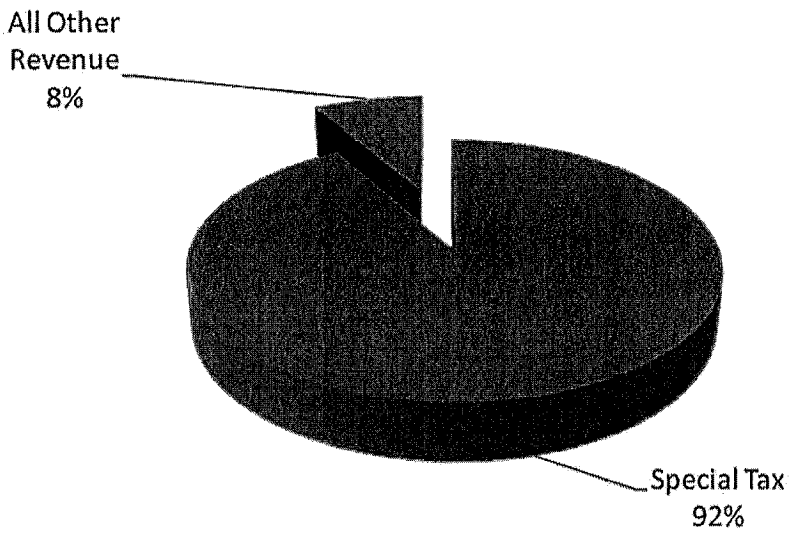
	Governmental Activities - Fire		Business-type Activities - Water		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for service	$ 1,335,866	$ 1,276,428	$ 4,429,044	$ 4,618,722	$ 5,764,910	$ 5,895,150
Operating grants and contributions	7,291	4,860	-	-	7,291	4,860
Property leases	-	-	121,708	110,918	121,708	110,918
Investment income	2,040	2,674	12,588	11,449	14,628	14,123
Other	-	-	162,781	56,145	162,781	56,145
Total revenues	1,345,197	1,283,962	4,726,121	4,797,234	6,071,318	6,081,196
Expenses:						
Fire prdection (Including depreciation and excluding capital outlay)	1,275,380	1,514,470	-	-	1,275,380	1,514,470
Water	-	-	4,373,346	4,389,215	4,373,346	4,389,215
Interest on long-term debt	-	-	-	4,530	-	4,530
Total expenses	1,275,380	1,514,470	4,373,346	4,393,745	5,648,726	5,908,215
Increase (decrease) in net position before transfers	69,817	(230,508)	352,775	403,489	422,592	172,981
Transfers	60,854	-	(60,854)	-	-	-
Changes in net position	130,671	(230,508)	291,921	403,489	422,592	172,981
Beginning net position, restated	1,533,700	2,341,944	30,347,080	30,345,423	31,880,780	32,687,367
Ending net position	$ 1,664,371	$ 2,111,436	$ 30,639,001	$ 30,748,912	$ 32,303,372	$ 32,860,348

Governmental activities. Governmental activities include only the Fire Fund and the year's activity decreased the fund's net position by $447,065 or 21.2 percent. Total revenue for the Fire Fund was $1,345,197 for the year ended June 30, 2014 compared to $1,283,962 in the prior year, for an increase of 4.8 percent.

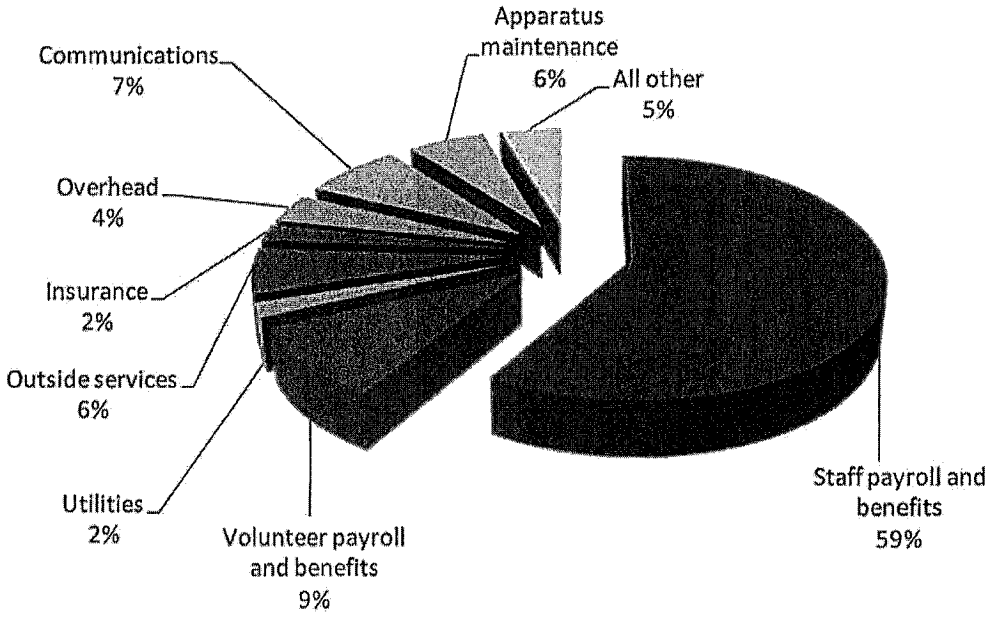
As indicated above, the vast majority of the governmental funds revenue comes from a Fire Protection Special Tax that was originally approved by the voters in 1997 and increased by the voters in 2004. This revenue source accounted for 99 percent of the fire department's total revenue for the year ended June 30, 2014.

The following charts display revenues and expenses as a percent of their total.

Fire Department Revenue



Fire Department Expenses



Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its combined governmental and business type activities totals $25,407,275 (net of accumulated depreciation) as of June 30, 2014. This investment in capital assets includes land, buildings, vehicles, wells, reservoirs, transmission mains, machinery, vehicles, fire-fighting equipment and other equipment. The decrease in the District's combined investment in capital assets for the current fiscal year was the result of depreciation for the year being more than the cost of new capital assets acquired or placed in service during the year.

Twentynine Palms Water District's Capital Assets
(net of depreciation)

	Governmental Activities - Fire		Business-type Activities - Water		Total	
	2014	2013	2014	2013	2014	2013
Land, and improvements	$ 57,519	$ 57,519	$ 632,996	$ 632,996	$ 690,515	$ 690,515
Buildings and structures	811,954	811,954	903,075	903,075	1,715,029	1,715,029
Vehicles and heavy mobile equipment	1,382,493	1,382,493	1,406,232	1,355,495	2,788,725	2,737,988
Machinery and equipment	557,789	557,789	1,200,097	971,849	1,757,886	1,529,638
Infrastructure	-	-	42,351,354	42,176,544	42,351,354	42,176,544
Construction in progress	-	-	237,443	156,978	237,443	156,978
Accumulated depreciation	(2,159,794)	(2,072,570)	(21,973,883)	(20,621,840)	(24,133,677)	(22,694,410)
Total	$ 649,961	$ 737,185	$ 24,757,314	$ 25,575,097	$ 25,407,275	$ 26,312,282

Additional information on the District's capital assets can be found in note 4 of this report.

Twentynine Palms Water District
Statement of Activities
For the year ended June 30, 2014

Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities:				
Fire protection	$ 1,275,380	$ 1,335,866	$ 7,291	$ -
Business-type activities:				
Water	4,373,346	4,429,044	-	-
Total business-type activities	4,373,346	4,429,044	-	-
Total primary government	$ 5,648,726	$ 5,764,910	$ 7,291	$ -
	General revenues:			
	Property leases			
	Investment income			
	Other			
	Transfers			
	Total general revenues			
	Change in net position			
	Net position, beginning of year, as restated			
	Net position, end of year			

The accompanying notes are an integral part of these financial statements.

Twentynine Palms Water District
Balance Sheet
Governmental Fund
June 30, 2014

	Fire Protection
ASSETS	
Cash	$ 200
Temporary investments	1,026,955
Accounts receivable:	
Assessments, net of allowance for doubtful accounts of $400	86,213
Accrued interest receivable	566
Total assets	$ 1,113,934
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 46,897
Accrued payroll	12,076
Other current liabilities	2,237
Due to other fund	6,707
Deferred revenues	-
Total liabilities	67,917
Fund balance:	
Unassigned	1,046,017
Total fund balance	1,046,017
Total liabilities and fund balance	$ 1,113,934
Fund balance of governmental fund	$ 1,046,017
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	649,961
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences payable	(31,607)
Net position of governmental activities	$ 1,664,371

The accompanying notes are an integral part of these financial statements.

Twentynine Palms Water District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the year ended June 30, 2014

	Fire Protection
REVENUES	
Fire protection special tax	$ 1,234,157
Investment earnings	2,040
Intergovernmental	7,291
Fines, penalties and other	101,709
Total revenues	1,345,197
EXPENDITURES	
Current:	
Staff payroll and benefits	695,180
Volunteer payroll and benefits	112,518
Facilities maintenance and supplies	12,241
Utilities	23,007
Outside services	73,115
Miscellaneous	14,431
Insurance	25,638
Overhead	45,608
Safety	606
Training	8,443
Communications	87,961
Fire prevention	3,850
Emergency medical services	3,272
Apparatus maintenance	68,775
Uniforms	12,140
Total expenditures	1,186,785
Excess of revenues over expenditures	158,412
OTHER FINANCING SOURCES	
Transfers in	60,854
Total other financing sources	60,854
Net change in fund balance	219,266
Fund balance, beginning as restated	826,751
Fund balance, end of year	$ 1,046,017

The accompanying notes are an integral part of these financial statements.

Twentynine Palms Water District
Statement of Net Position
Proprietary Fund
June 30, 2014

ASSETS	Water
Current assets:	
Cash	$ 102,381
Temporary investments	5,535,086
Accounts receivable, net:	
Water	694,255
Assessments	106,366
Other	13,726
Accrued interest receivable	3,052
Due from Fire Fund	6,707
Material inventory	213,781
Prepaid expenses and other	97,639
Total current assets	6,772,993
Noncurrent assets:	
Capital assets:	
Land	632,996
Construction in progress	237,443
Other capital assets, net	23,886,875
AD 4 receivable	18,825
Total noncurrent assets	24,776,139
Total assets	31,549,132

The accompanying notes are an integral part of these financial statements.

3) ASSESSMENTS, (continued)

The governmental fund receives a fire suppression special tax of $80 for each unit. The units range in size from .25 to 1.0 for residential and from 1.0 to 4.0 for commercial, industrial and institutional units. The nonresidential units are based on the formula of one unit per each 3,000 square foot or portion thereof, or one unit per business/occupancy, whichever is greater. All parcels (improved or unimproved) greater than 5.0 acres shall be taxed an additional amount of $2.00 per acre for each acre, or portion thereof, in excess of 5.0 acres.

The large parcel amount shall not exceed the amount of $150.00 per parcel per fiscal year and shall be in addition to the basic tax amount imposed upon any parcel greater than 5.0 acres.

4) CAPITAL ASSETS

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

Governmental activities:	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated:				
Land	$ 57,519	$ -	$ -	$ 57,519
Total capital assets not being depreciated	57,519	-	-	57,519
Capital assets being depreciated:				
Structures	811,954	-	-	811,954
Fire trucks	1,382,493	-	-	1,382,493
Fire equipment	435,426	-	-	435,426
Communication equipment	75,221	-	-	75,221
Office equipment	47,142	-	-	47,142
Total capital assets being depreciated	2,752,236	-	-	2,752,236
Less accumulated depreciation	(2,072,570)	(87,224)	-	(2,159,794)
Net capital assets being depreciated	679,666	(87,224)	-	592,442
Net capital assets	$ 737,185	$ (87,224)	$ -	$ 649,961

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Compensated Absences Liability - continued

Sick leave with pay will be granted to each employee at the rate of (1) day per month. Accumulated sick leave will not be paid to employees upon termination of employment. In December of each year, as long as a water department employee has accrued in excess of 5 days sick leave, he/she may choose to either be paid for any sick leave in excess of the 5 days or leave it to accumulate. Employees who do not utilize unused sick leave accrued in excess of 5 days between December 1st and November 30th each year, may be reimbursed at the rate of 100 per cent if they have been employed during the entire period. Fire department employees have the same option to be reimbursed for excess accrued sick leave; however, they can only be reimbursed for accruals in excess of 12 days. This payment shall be included in the December payroll. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

2) CASH AND TEMPORARY INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash	$ 102,581
Temporary investments	6,562,041
Total cash and temporary investments	$ 6,664,622

Cash and investment consits of the following:

Cash on hand	$ 1,550
Deposits with financial institutions	101,031
Investments	6,562,041
Total cash and temporary investments	$ 6,664,622

Investments Authorized by the California Government Code and the District's Investment Policy

The District's investment policy authorizes investment in the local government pool administrated by the State of California (LAIF). The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Excerpt from 2012 Service Review for the Twentynine Palms Community related to the Twentynine Palms Water District

Attachment 4

TWENTYNINE PALMS WATER DISTRICT
Service Review and Sphere of Influence Update

INTRODUCTION:

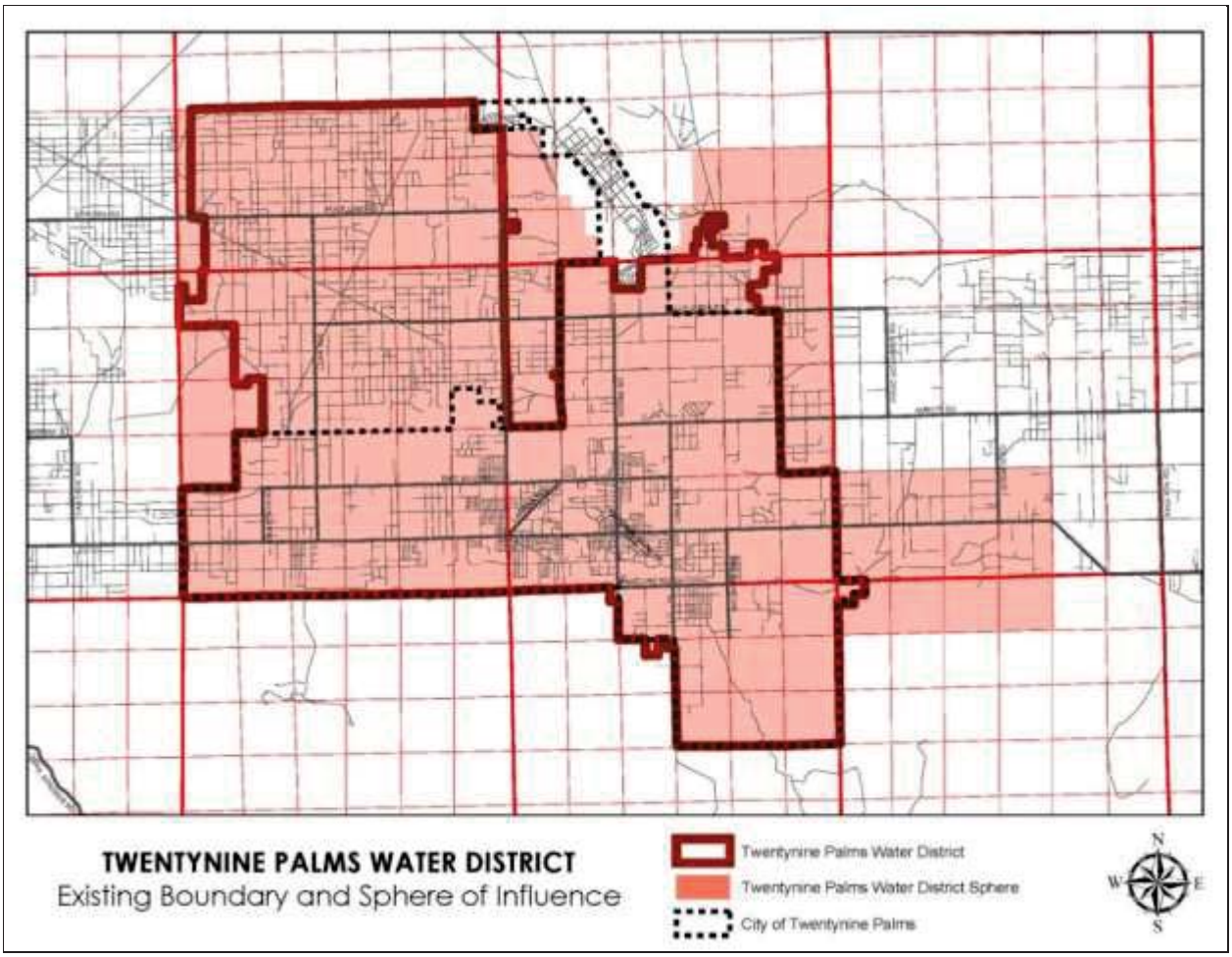
LAFCO 3104 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for the Twentynine Palms Water District ("Water District" or "District").

The Twentynine Palms Water District was formed in 1954 under the County Water District Law, for the purpose of supplying potable water and for other statutory purposes, including fire protection. The Water District is an independent special district with a five-member board of directors and operates under County Water District Law (Division 12 of the Water Code, Sections 30000 et seq.). Currently, the Water District is authorized by LAFCO to provide the functions of water, sewer (limited to planning) and fire protection pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*.

As discussed in the Sphere of Influence Update section in this report for the Water District, staff is recommending modification to the District's sphere of influence to coincide with the Commission's definition for the Twentynine Palms community (sphere reduction of approximately 39.5 acres).

LOCATION AND BOUNDARIES:

The service review and sphere of influence update study area encompasses approximately 121 square miles. The service review and sphere study area is located in the south desert region of the County and is generally bordered by the Joshua Tree National Park on the south, the Joshua Basin Water District on the west, the Twentynine Palms Marine Corps Base on the north, and the Wonder Valley community, defined by County Service Area 70 Zone M, on the east. A map of the District and its current sphere are shown below and is included as a part of Attachment #3.



TWENTYNINE PALMS WATER DISTRICT SERVICE REVIEW

In 2003, LAFCO adopted the Governor's Office of Planning and Research (OPR) Municipal Service Review Guidelines by reference for its use during the conduct of service reviews. These Guidelines provide a step-by-step approach to understanding the service review process as set forth by Government Code Section 56430 as well as factors that LAFCO may wish to address in its service review of an agency.[26]

At the request of LAFCO staff, the District prepared a service review pursuant to San Bernardino LAFCO policies and procedures. The response to LAFCO's original and updated requests for materials includes, but is not limited to, the narrative response to the factors for a service review, response to LAFCO staff's request for information, and financial documents (included as Attachment #3). LAFCO staff responses to the mandatory factors

[26] State of California, Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

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

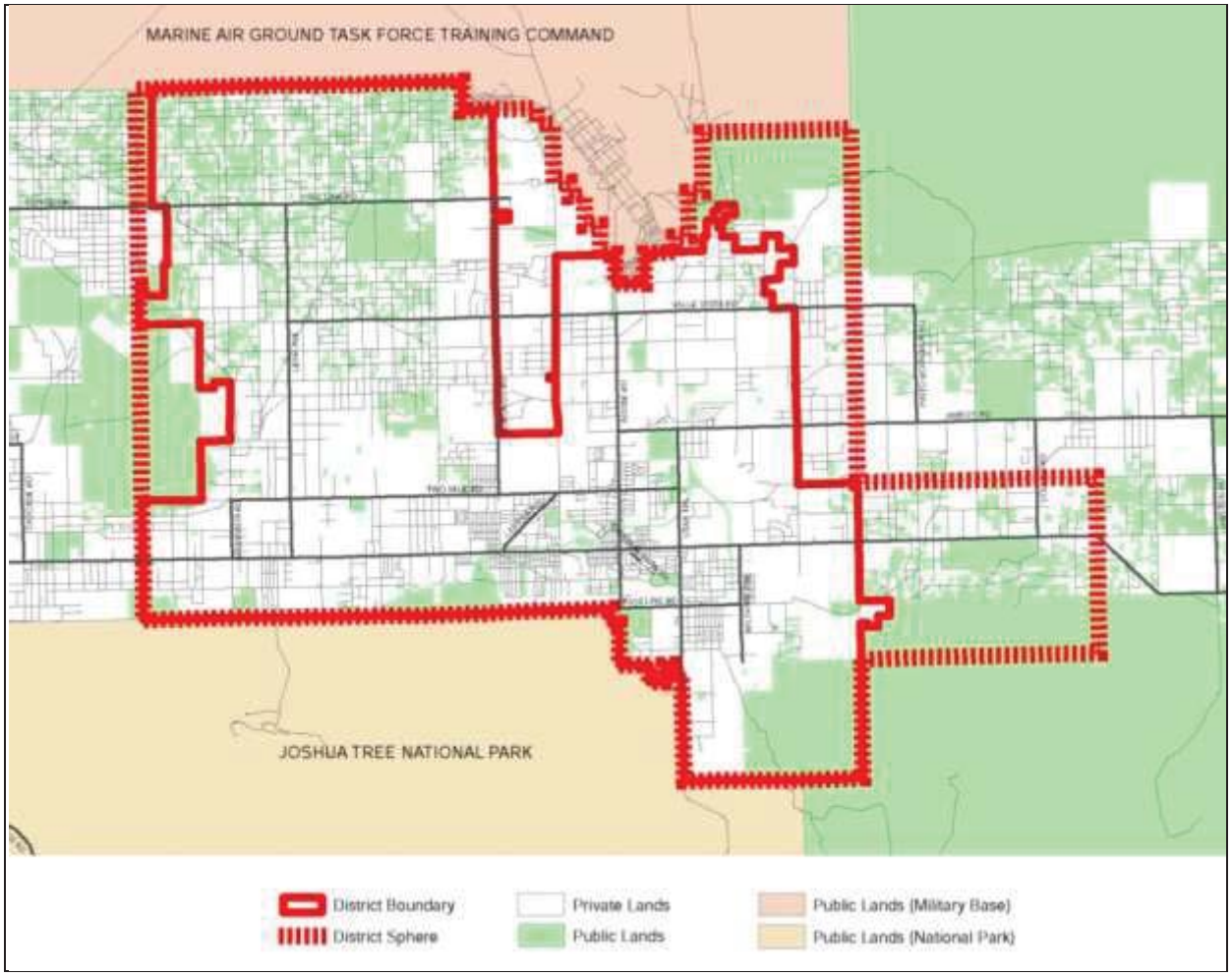
I. Growth and population projections for the affected area.

Land Ownership

The land ownership distribution and breakdown within the District's boundary and current sphere are identified on the map below. Within its entire sphere, roughly 73% of the land is privately owned and the remainder, 27%, is public, which are devoted primarily to resource protection and recreational use.

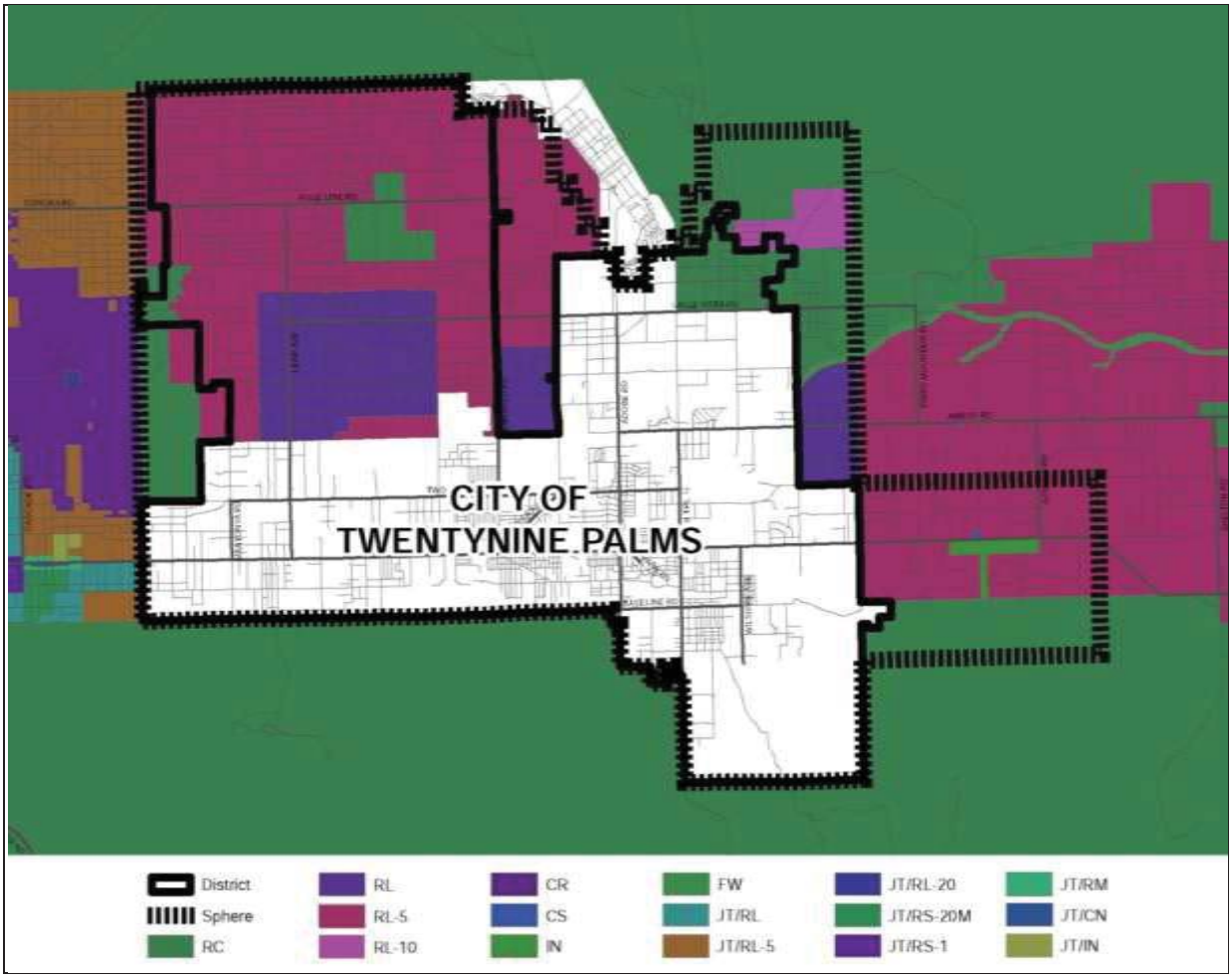
Land Ownership Breakdown (in Acres)
Within Twentynine Palms Water District

Ownership Type	Boundary	Sphere (outside boundary)	Total Area
Private	45,250	11,611	**56,861**
Public Lands – Federal (BLM), State, & others	11,669	8,888	**20,557**
Total	**56,919**	**20,499**	**77,418**



Land Use

The study area includes territory within the City of Twentynine Palms (portion) and the unincorporated County. Below is a map that identifies the County of San Bernardino's land use designations within the study area.



General Plan Land Use Districts (In Acres)
Within Twentynine Palms Water District

Land Use	Boundary	Sphere (outside boundary)	Total Area
City's Land Uses	35,184		35,184
County Land Use Designations			
Resource Conservation (RC)	2,680	7,821	10,501
Rural Living (RL)	4,444	2,228	6,672
RL-5	14,571	9,128	23,699
RL-10	40	930	970
Floodway (FW)		79	79
Service Commercial (CS)		10	10
Institutional (IN)		303	303
Total	**56,919**	**20,499**	**77,418**

Within the study area, approximately 40% is designated Rural Living, 14% Resource Conservation, and 1% a mix of Commercial, Institutional, and Floodway land uses. The remainder 45% is within the City of Twentynine Palms.

Incorporated Portion of the Study Area

Within the City boundaries, approximately 46% is Rural Living, 34 % Single-Family Residential, 7% Open Space Residential, 3% Multi-Family Residential, 4% Commercial, 3% Industrial, 3% Public and Floodway. The only portion within the City that is not a part of the study area is the portion within the Marine Corps Air Ground Combat Center identified in the City's General Plan as Military (approximately 2,450 acres). For a complete breakdown of the land uses with the City, please refer to the City's service review section related to land use (City's service review growth and population projections section, page 71).

Population

Population Projections

In 2000, the population within the Water District's boundaries was 15,827. Based on the 2010 Census, the current population for the area is 17,974. This represented an average annual growth rate of approximately 1.3 percent within the given period.

The projected growth for the Water District's boundaries was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the City of Twentynine Palms and the County's unincorporated area for the given periods, and the use of average annual growth rate (including a revision made by LAFCO staff related to City's population and the assumption of a constant population within to the Marine Corps Base). By 2040, the population within the Water District is estimated to reach 31,946. This represents a projected annual growth

rate of approximately 1.9 percent between 2010 and 2040, which also represents a total population increase of 78 percent from 2010.

Population Projection 2010-2040
Within the Twentynine Palms Water District

Census		Population Projection					
2000	2010	2015	2020	2025	2030	2035	2040
15,827[27]	17,974[28]	20,063[29]	22,410	24,486[30]	26,755	29,235	31,946

The population projections shown above may represent an unattainable growth trend based on the historic growth experienced in the region. In addition to the marginal growth experience in the last 10 years, there are other circumstances in the region that tend to restrict growth (i.e. water quality issues, potential for development restrictions related to the use of septic systems, etc.). Based on these issues, actual growth is expected to be much lower than projected.

Build-out

The table below provides the potential build-out within the Water District's territory. This build-out scenario takes into consideration the existing land use designations assigned for the area and the dwelling unit densities assigned for each residential land use[31].

Land Use Maximum Build-Out
Within the Twentynine Palms Water District

Land Use	Acreage	Density (D.U. Per Acre)	Maximum Build-out (DU's)
County Area Residential Land Use			
Resource Conservation	2,680	0.025	67
RL-10 (Rural Living 10 acres)	40	0.1	4
RL-5 (Rural Living 5 acres)	14,571	0.2	2,914
RL (Rural Living 2.5 acres)	4,444	0.4	1,778
City Area Total Residential Land Use	31,446		45,965
(land use breakdown on page 23)			
Water District Total Residential	**53,181**		**50,728**

[27] 2000 population data was derived from the 2000 Census for the Twentynine Palms Water District area.
[28] 2010 population data was derived from the 2010 Census for the Twentynine Palms Water District area.
[29] 2015 and 2020 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the City of Twentynine Palms and the unincorporated County area between 2010 and 2020 data.
[30] 2025, 2030, 2035 and 2040 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the City of Twentynine Palms and the unincorporated County area between 2020 and 2035 data.
[31] The information related to densities does not take into consideration the housing units within the Marine Base.

The population projections identified earlier indicates that the population within the Water District's territory will be 31,946 by 2040. Based on the maximum residential build-out within the Water District's territory, the projected maximum population is anticipated to reach 149,546[32]. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the Water District's territory will be 10,836 with a maximum potential build-out to reach approximately 50,728. These imply that the study area will reach 21 percent of its potential household and population capacity by 2040.

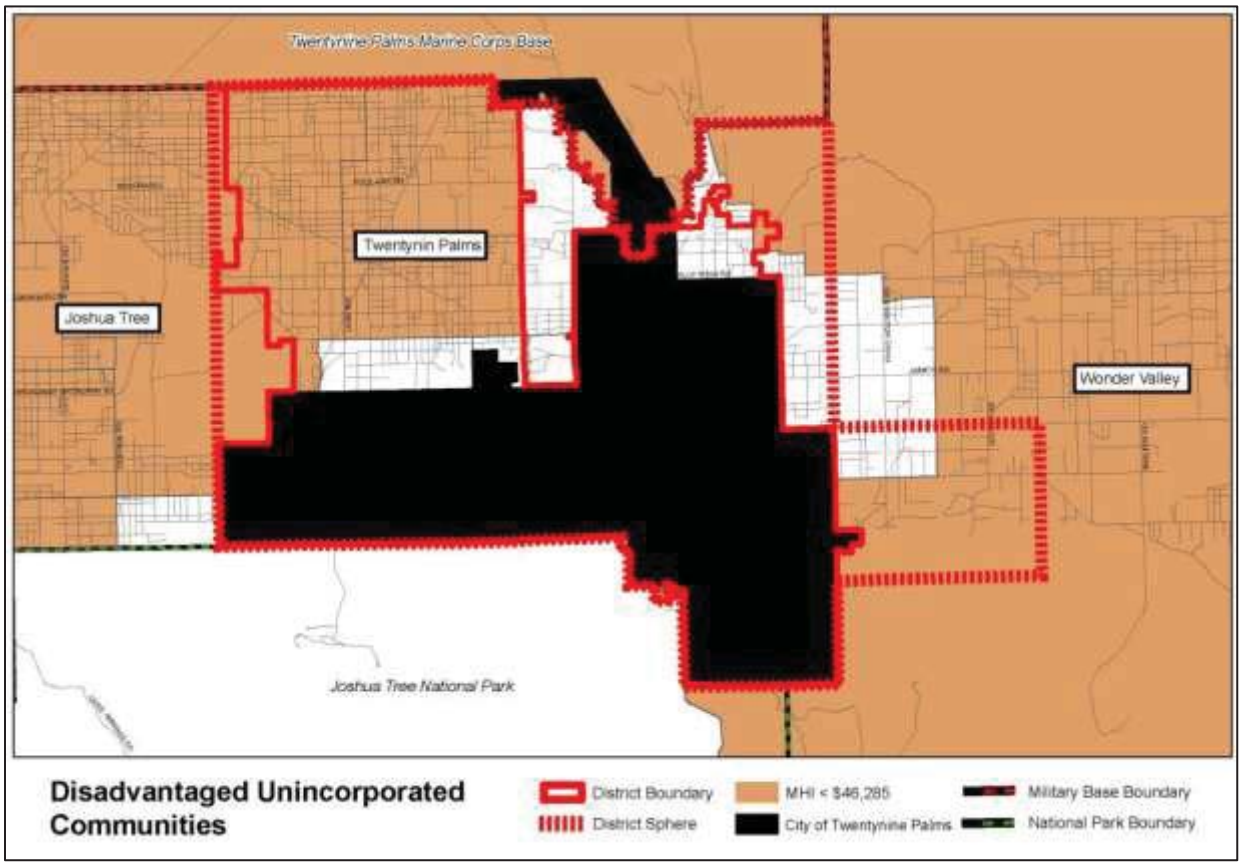
Population and Household Projection
Within the Twentynine Palms Water District

	Projection 2040	Maximum Build-out	Ratio of 2040 Projection with Maximum Build-out
Population	31,946	149,546	0.21
Households	10,836	50,728	0.21

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

Disadvantaged unincorporated communities are those communities that have an annual median household income that is less than 80 percent of the statewide annual median household income, which is under $46,285. Based on the census data[33], the map below illustrates the areas within and around the Water District's sphere of influence that are classified as disadvantaged unincorporated communities.

[32] Source: Persons per household @ 2.948 based on the ratio for the City of Twentynine Palms as identified in the State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark. Sacramento, California, May 2010.
[33] Median Household Income data is taken from the American Community Survey 5 year (2006-2010) summary using the block group level.



As shown on the map, portions of the Water District's unincorporated sphere of influence are considered disadvantaged unincorporated communities. The communities of Wonder Valley and Joshua Tree are communities considered disadvantaged unincorporated communities that are contiguous to the District's sphere of influence.

Within the Water District's unincorporated sphere of influence, the areas identified as disadvantaged unincorporated communities are comprised of sparse rural residential development with large lot residential development (primarily Rural Living, 5-acre lots).

The unincorporated community of Wonder Valley extends into (portion) and is adjacent to the Water District's eastern sphere of influence. The community is also very rural in nature with large lot residential development (primarily Rural Living, 5-acre lots).

The unincorporated community Joshua Tree is adjacent to the Water District's western sphere of influence. The community is characterized by an abundance of open space and natural resources. The community is also rural in nature with residential development primarily with a Rural Living (2.5-acre lots) land use designation. Located between the Town of Yucca Valley and the City of Twentynine Palms, Joshua Tree also serves as the entry point to the Joshua Tree National Park.

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 determination cites and incorporates excerpts from the following sources: 2010 Urban Water Management Plan, 2010 Consumer Confidence Report, 2008 Groundwater Management Plan Update, 1989 Fire Master Plan, the District's narrative response to the factors for a service review, and City of Twentynine Palms Draft 2010 General Plan Update. Other materials have been referenced but not cited.

A. Water

Managing and conserving water resources is critical in sustaining cities and population centers, and this is especially true for desert communities receiving marginal precipitation. Currently, the District is the sole retail water provider within the community, actively providing retail water service via a pressurized system to incorporated and unincorporated areas. The District provides limited hauled water opportunities for residents within its boundaries.

Groundwater Basins

The District currently relies solely on groundwater as its source. The District overlies three non-adjudicated groundwater basins: the Twentynine Palms Valley Basins (Mesquite Springs Basin), Joshua Tree Basin, and Dale Valley Basin. Within the Joshua Tree Basin are three subbasins: the Indian Cove, Fortynine Palms, and Eastern Subbasins. The District does not produce from the Dale Valley Basin.

Twentynine Palms Valley Groundwater Basin

The Twentynine Palms Valley Groundwater Basin encompasses 97.5 square miles and underlies most of the northern portion of the District's service area. Water is produced from this basin through the TP1 production well, which provides water for the Fluoride Removal Water Treatment Plant. Groundwater levels in the basin are generally stable. No water level declines have been observed in the basin.

Storage capacity of the entire Twentynine Palms Valley Basin, also known locally as the Mesquite Basin, is estimated in the Department of Water Resource's Bulletin 118 (last updated February 2004) as 1,420,000 AF. The basin is considered to be in overdraft, as the estimated annual rate of groundwater depletion is 1,500 AF while recharge is only 300 AF. Additionally, the Colorado River Basin Plan identifies the Twentynine Palms Valley Subunit of the Dale Hydrologic Unit as being an area where overdraft and increase of mineral content (particularly fluoride) of the groundwater are concerns. The District overlies and only pumps from the southern portion of this basin.

Joshua Tree Groundwater Basin

The Joshua Tree Groundwater Basin encompasses 53.8 square miles and underlies an area south of the Pinto Mountain fault beneath the town of Joshua Tree, eastward to immediately south of the town of Twentynine Palms. DWR Bulletin 118 estimates total storage capacity of the Joshua Tree Basin to be 2,540,000 acre-feet (AF). This estimate applies to the entire groundwater basin, and not just the overlying area which the District manages. Groundwater in storage was estimated to be 1,010,000 AF. Actual groundwater extractions in the Joshua Tree Basin are measured by the Joshua Basin Water District. Data suggest that extractions between 1985 and 1995 were over 50 percent more than natural recharge and that groundwater levels have dropped by an average of 1 foot per year since about 1973.

Indian Cove Subbasin

The Indian Cove Subbasin encompasses 20 square miles and is located southwest of the City of Twentynine Palms in the Joshua Tree Basin. Five of the District's production wells are in this subbasin. The stream valley rarely floods, suggesting that a significant part of the runoff is infiltrating into the groundwater. Water level declines of less than 10 feet have been observed in this subbasin.

Fortynine Palms Subbasin

The Fortynine Palms Subbasin is the smallest of the District's Subbasins in volume and watershed. Three of the District's production wells are in this Subbasin. Water level declines of nearly 50 feet have been observed in the Fortynine Palms Subbasin.

Eastern Subbasin

The Eastern Subbasin has the largest watershed and sediment volume of the District's Subbasins. One of the District's production wells is in this subbasin. Water level declines of between 10 and 25 feet have been observed in the Eastern Subbasin. Water in the Eastern Subbasin has higher fluoride levels than any of the other subbasins.

Current Supply, Demand, and Facilities

Connections

The District currently serves 7,983 connections, all of which are metered accounts. Approximately 94 percent of the service connections are residential. Commercial connections account for approximately 4.5 percent, landscape irrigation connections account for less than one percent, and fire protection/non-potable connections account for the remaining 1.4 percent of the District's total connections. Records going back to 1994 indicate the relatively similar percentage distributions amongst the land use types. The Marine Corps base provides its own water supply and is not associated with any of the numbers and projects in the Urban Water Management Plan.

Supply and Demand

Potable water is scarce in the District for several reasons:

1) The area receives an average of only four inches of annual rainfall.
2) There is negligible infiltration of direct precipitation in areas where the alluvial deposits are thick.
3) A substantial amount of runoff is lost to evaporation after flowing into the basin.
4) Some of the water is unsuitable for drinking water due to naturally-occurring soluble minerals, such as fluoride.

Water provided by the District is derived solely from groundwater pumped from supply wells located along the southern limit of the service area. As of 2010, the District has ten active production wells. The remaining wells are inactive and/or used for groundwater monitoring. Available information indicates that more than 400 private wells have also been constructed within the District's service area. Most of these wells are not currently operated.

Historic pumping and water deliveries by the District have steadily increased since its formation in the mid-1950s. Annual pumping in the 1990s regularly exceeded 900 million gallons (approximately 2,760 acre-feet per year [AFY]), with average daily delivery per service connection slightly under 400 gallons. Total water demand in the District was 2,674 acre-feet (AF) in 2010, with a projected demand of 3,119 AF in 2035.

In 2008, the District identified to LAFCO that current annual water delivery within the District is 1,084,760 gallons. Average daily flow is approximately 2.97 million gallons or approximately 43% (6.897 mg) of system capacity. The District is at approximately 43% capacity with about 8,000 connections. At the current average daily demand, the system could accommodate an additional 10,374 connections until full capacity is reached (approximately 18,000 connections). As for storage, there are 12 storage tanks for a total storage capacity of 17 million gallons. At an average daily use of 2.97 million gallons, this represents approximately 5.7 days of water usage.

In April of 2002, the District completed source water assessments for all active drinking water wells. Wells 4, 14 and 16 are considered most vulnerable to the following activities associated with the contaminants detected in the water supply: septic systems, high density housing, office buildings/complexes, schools and parks.

Bulk Hauled Water

In remote areas of the south desert, the hauling of domestic water is the sole means for water acquisition. In a joint letter to county planning and building departments in 2003, the California Department of Health Services[34] and the California Conference of Directors of Environmental Health specify that, "bulk hauled water does not provide the equivalent level of public health protection nor reliability as that provided from a

[34] The California Department of Health Services has been reorganized since 2003 and water related health issues are coordinated under the California Department of Public Health.

permanent water system or from an approved onsite source of water supply." This statement is based on five potential public health risks for hauled water:

1. The potential for contamination exists when water is transferred from tanker trucks to water storage tanks.
2. Storage tanks are often the source of bacterial contamination.
3. There is no assurance that licensed water haulers follow State guidelines at all times.
4. The future reliability of hauled water is susceptible to economic conditions.
5. There is generally a higher risk for contamination.

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

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

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

Section 31023 of the California Water Code, within County Water District Law, states that a district may sell surplus water for use outside its boundaries. The District has identified that it does have a small amount of bulk water hauling activity within the community but does not have a declared surplus of water. The District maintains one site where private individuals and a small number of commercial water haulers purchase water that is used both inside and outside District boundaries. Generally, this water is consumed by households where infrastructure is not available. These sales amount to approximately four million gallons per year.

Water Quality

The quality of water in the community is typically good, besides a few areas with high fluoride and total dissolved solids levels, per the District Urban Water Management Plan. Another contaminant to groundwater quality is effluent from septic tanks which is used throughout the community due to a lack of a centralized sewer system. The region has

generally a low density population and minimal industry; therefore, the aquifers are not expected to be impacted significantly.

The District's 2009 Consumer Confidence Report indicates the groundwater meets federal and state MCL standards. Source Water Assessments for nine active wells were completed in April 2002. The newest (tenth) well was installed in 2009 and a Source Water Assessment was performed in 2007.

Fluoride

The current State limit for fluoride in drinking water permits an MCL (Maximum Contaminant Level) of 2.0 milligrams per liter (mg/L). On January 21, 1993, the District was granted a variance from the California Primary Drinking Water Standard for fluoride, which states, "The District shall not serve water containing fluoride levels in excess of 3.0 milligrams per liter (mg/L) or 75% of the U.S. Environmental Protection Agency Primary Drinking Water Standard (currently at 4.0 mg/L), whichever is higher." This variance was granted due to the elevated levels of naturally occurring fluoride in the District's source water. The variance from the Primary Drinking Water Standard for fluoride will be in effect for a period of up to 30 years from the date of issuance subject to the following provisions:

1. Every five years, beginning in January 1998, the District shall submit a report to the Department of Health Services evaluating community acceptance of the fluoride levels being served.
2. The Department of Health Services advises the District in writing of its findings that there is no significant public opposition from the community served by the District and that the variance does not pose an unreasonable risk to the consumer's health.
3. Other provisions to the variance include:
    a. That the variance may be withdrawn upon reasonable notice by the Department of Health Services, if the Department determines that the community no longer accepts the fluoride level authorized by the variance.
    b. The District shall provide quarterly consumer notification of the variance in accordance with Section 64464.6 of the California Domestic Water Quality and Monitoring Regulations.
    c. A fluoride monitoring plan, approved by the Department of Health Services, that monitors and reports all fluoride levels in the distribution system and water produced by all sources.

The District maintains acceptable levels of fluoride through the use of wells with lower levels of fluoride being pumped as much as possible when water demand on the system dictates. In April 2004, the Department of Health Services issued a permit to the District allowing full operation of the Fluoride Removal Plant, which currently is producing approximately one million gallons a day (1 MGD) of potable drinking water. The plant extracts water from the Mesquite Springs aquifer to remove high levels of naturally occurring fluoride. This aquifer is a significant source of water for the District and on-going studies will determine future production rates from the plant to better manage its groundwater resources.

Future Supply, Demand, and Facilities

No additional sources of water are anticipated to be available to the District in the future. As shown below, the District also has a pumping capacity of 490 gpm (790 AFY) from the Eastern Subbasin. This amount along with the 2,100 gpm capacity (3,395 AFY) in Mesquite Lake Subbasin yields a total of approximately 6,985 AFY of available future groundwater supply. There is the potential to expand the Mesquite Lake Subbasin facilities to include another well if needed in the future. This additional well would improve reliability by allowing for redundancy in the Mesquite Lake Subbasin as well as increasing pumping capacity.

TABLE 3-3
GROUNDWATER PUMPING CAPACITY

Basin Name	Pumping Capacity (gpm)	Pumping Capacity (AFY)
Mesquite Springs Basin[a]	2,100	3,395
Joshua Tree Basin		
Fortynine Palms Subbasin[b]	870	1,400
Eastern Subbasin[a]	490	790
Indian Cove Subbasin[b]	870	1,400
Total	**4,330**	**6,985**

Notes:
(a) Pumping capacity of Twentynine Palms Water District
(b) DWR recommended pumping limit to prevent overdraft

Source: 2010 UWMP

Twentynine Palms is dependent on groundwater and to maintain reliability of that source, the District must implement the Best Management Objectives (BMOs) to meet demand. The District expects growth, albeit slow. Overdraft is considered a challenge for reliability of supply and is addressed in the Groundwater Management Plan.

These BMOs establish the water level and water quality conditions that are acceptable in the basin and address conditions that need to be remedied. The BMOs established for the Twentynine Palms Water District are:

BMO #1 - Minimize long-term drawdown of groundwater levels
BMO #2 – Maintain groundwater quality
BMO #3 – Monitor and track groundwater levels, quality, and storage
BMO #4 – Reduce water consumption through water conservation
BMO #5 – Facilitate groundwater replenishment projects
BMO #6 – Identify and obtain funding for groundwater projects

In order to reduce groundwater overdraft, the amount of recharge experienced by the District's Subbasins could be increased through "artificial recharge." Since the District does not have access to imported surface or recycled water sources, the only source of water for replenishment is the impoundment or collection of runoff. Therefore,

groundwater replenishment should be increased by maximizing the use of the only source of recharge available (precipitation) by providing recharge enhancement.

Better management of the District's groundwater supplies alone does not provide a complete solution to declining water levels in the District's service area. While the District's residential water use is relatively low at 0.31 AFY per household, savings in residential water use could be accomplished through additional conservation efforts. The District could implement more aggressive water conservation efforts to reduce demand for groundwater resources and pumping in the region.

The District does not have access to imported water sources, and is restricted in its ability to recharge its basins. Connection to imported water from either the Metropolitan Water District of Southern California ("Metropolitan" - Colorado River supplies) or the Mojave Water Agency ("MWA" - State Water Project supplies) does not appear to be a viable option for the District as the District is not within the service area of either agency. Annexation to either agency would be required to receive water supplies through a limited allocation of supplemental water. Metropolitan's closest facilities are more than 45 miles southwest of the District; MWA's facilities extend no closer than Yucca Valley, approximately 23 miles west of the District. The District Board has on two occasions voted against extending imported water service to the District. However, a regional project with the potential to alter this scenario is the "Cadiz Project" for storing water in the Cadiz groundwater basin. The District would still need to acquire water for storage from the Colorado River, but its proximity is much closer to the District's existing service area than other options.

Recycled Water

The District does not have a municipal sewer system or a wastewater treatment plant. At this time all residential and non-residential accounts use septic tank systems for the disposal of wastewater. The construction of a centralized system has been deemed infeasible by local jurisdictions; however, the use of package wastewater treatment plants has been approved. LAFCO staff understands that at least three plants are operational within the District and City of Twentynine Palms and several others have been approved but not yet constructed. Alternatively, the District has considered partnering with other agencies; however, the nearest water agency is 25 miles away and an intertie is cost prohibitive at this time. Therefore, at this time there are no opportunities for water recycling or programs that include recycled water.

In 2008 the City of Twentynine Palms commissioned a report to study the feasibility of a centralized wastewater system. The report recommended a decentralized system that relies on the Marine Corps Station sewage facilities. The cost of the system was estimated between $55 and $80 million in capital costs. As the District is rural and has slow growth, the cost was deemed prohibitive. The study proposed a phased approach with final completion of sewage system in 2040 to mitigate the cost.

The District recognizes the importance of recycled water and water reliability; however, due to the small size of the system, low annual demand and the use of individual septic systems, a recycled water system is not a feasible solution. As an alternative the

District will invest in water conservation approaches to reduce demand and compensate for the lack of recycled water. As water is primarily used on landscape, the District has developed approaches to emphasize outdoor water conservation.

Landscaping and Irrigation

The Water District currently does not have an adopted landscape ordinance and is using the "Let's Go Native…with our Landscaping" guidelines developed by Twentynine Palms Groundwater Guardian Team. The guidelines recommend the planting of climate appropriate drought tolerant landscaping to minimize water usage for landscaping throughout the City. Also the City does has an adopted Model landscape ordinance and includes California Green Standards for development. The District has adopted a resolution of concurrence for this program.

Capital Improvement Budget

The District in its FY 2011-12 Water Budget identifies the following projects through FY 2015-16. The largest project, totaling $10 million, will provide for an additional three million gallons per day of treated water. The District has identified that the funding for the future expansion of the treatment plant and an additional reservoir associated with this project will come from new debt (existing District debt is scheduled to be paid off in 2015).

FY 2011-12 Water Capital Budget

Capital Improvement Projects

	PROJECT:	Fiscal 2011-12 Budget	Estimated Fiscal 2012-13	Estimated Fiscal 2013-14	Estimated Fiscal 2014-15	Estimated Fiscal 2015-16
a.	Engineering, Treatment Plant Expansion	500,000	0	0	0	0
b.	Additional Reservoirs	0	1,000,000	800,000	0	0
c.	Updates to Regulatory Plans	0	80,000	0	0	80,000
d.	Treatment Plant Expansion, Additional 3 MGD	0	0	0	10,000,000	0
	Total Capital Improvement Projects	$500,000	$1,080,000	$800,000	$10,000,000	$80,000

Source: FY 2011-12 Water Capital Budget

Water Rates

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

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

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

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

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

Disadvantaged, Unincorporated Communities

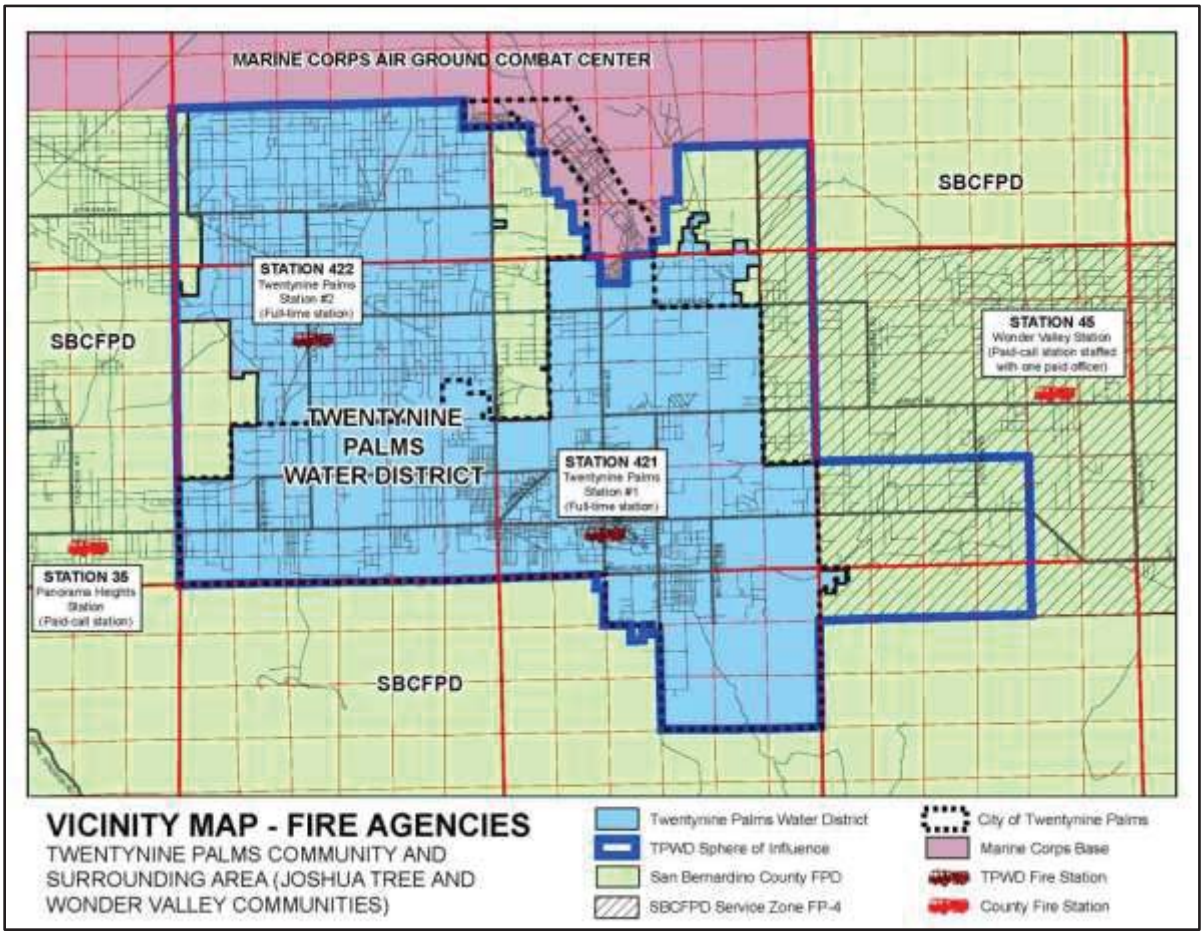
The disadvantaged, unincorporated communities within or contiguous to the District's sphere lack a pressurized water system. Any community contiguous to the District's sphere desiring connection to any potential system would require at a minimum inclusion within the District's sphere and most likely annexation. Further, any potential connection would most likely include installation and connection fees/charges/taxes. However, the implementation of a water system would be too costly based upon existing land use patterns and types of use. Population densities are so low that there are not enough customers to financially support the construction of a water system.

B. Fire

1. Community Overview

The District Fire Department ("Twentynine Palms Fire") was created by District Ordinance #14 on August 7, 1958 after the California Department of Forestry ceased providing local fire protection. Since the incorporation of the City in 1987, Twentynine Palms Fire serves the City and areas outside of the City. The services provided by Twentynine Palms Fire include fire prevention, fire suppression, emergency, medical aid, hazardous materials containment, and protection from excessive property damage.

Fire protection services for the areas of the City's Sphere of Influence, which are not served by Twentynine Palms Fire, are to be provided by the San Bernardino County Fire Protection District ("County Fire") - South Desert Service Zone. County Fire provides administration and support along with other services such as hazardous materials regulation, dispatch communication and disaster preparedness.



There are two County Fire stations located near the Twentynine Palms community. One station is in the Wonder Valley community, Wonder Valley Station 45 located at 80526 Amboy Road, which is a paid-call station that is staffed with two paid-call firefighters (another station in Wonder Valley, Station 47, is currently unmanned). The other station close to the study area is a Joshua Tree community fire station, Panorama Heights Station 35, located at 6562 Sierra Avenue, which is currently unmanned (the closest manned station in Joshua Tree, Station 36, is at 6715 Park Boulevard).

The Marine Corps Air Ground Combat Center Fire Department, known as the Combat Center Fire Department ("CCFD"), provides fire and emergency medical services to both military and civilian personnel on the base, and also to the surrounding local communities. The CCFD responds to emergency calls in the City

of Twentynine Palms and surrounding areas as part of mutual joint response agreements with other fire departments.

Twentynine Palms Fire also enhances fire safety in the community through coordination of education programs designed to increase community involvement. The CCFD provides public education by teaching children home fire safety and what to do in the event of a fire. It also provides monthly training in First Aid and CPR, and free EMT recertification classes to the public.

Several State and Federal agencies have roles in fire hazard mitigation, response and recovery, depending on the type of incident and its location. These agencies include the Office of Emergency Services, Office of Aviation Services, National Weather Service, the Department of the Interior and, in extreme cases, the Department of Defense. The CCFD provides assistance as needed to the Twentynine Palms Fire Department. In forest and open areas, agencies that often assist with fire suppression include the National Park Service, US Forest Service, National Association of State Foresters, Fish and Wildlife Service, the Department of Agriculture and the California Department of Forestry and Fire Protection.

Unincorporated Peninsula

Referencing the map above, in the center of the community there is a one mile wide unincorporated peninsula that extends five and half miles in a north/south direction bordered by the Water District and the Marine Corps Combat Center. This peninsula is within the boundaries of County Fire and is within the Water District's sphere of influence. The closest County Fire station is Station 45 in Wonder Valley, the CCFD is immediately to the east, and the nearest Water District fire stations are Station 421 and/or Station 422, depending on the specific incident location.

County Fire, as the agency responsible for service to this area, has existing mutual aid agreements with the Water District and the CCFD. Therefore, Twentynine Palms Fire responds to this area for the majority of incidents. LAFCO staff understands that the Twentynine Palms Fire Department desires a contractual arrangement for payment to serve this area since County Fire has service contracts in other parts of the county. County Fire, in its response to the draft staff report, states that it believes that the existing aid agreement and a proposed update to the agreement are appropriate without monetary terms and that a new contract is not necessary.

2. District Resources and Activities

Staffing and Equipment

Twentynine Palms Fire provides the following services to an 87 square mile service area covered by two fire stations (as shown on the map above);

- Station 421 – 6560 Adobe Road (Headquarters)

  This station is staffed 24-hours a day by a 3-person engine company consisting of a career (paid) company officer and two volunteer reserve firefighters.

  Station 421 equipment:

  - Engine 421: 1993 E-One, 1500 gallons per minute (GPM), 500 gallon tank
  - Reserve Engine 421: 1988 Smeal, 1250 GPM, 500 gallon tank
  - Truck 421: 1997 Pierce, 75' aerial, 1500 GPM, 300 gallon tank
  - Brush Patrol 421: 2002 4x4 Pierce/Ford, 500 GPM, 250 gallon tank
  - Chief 5000: 2003 4x4 Ford F150, Command Vehicle
  - Utility 421: 2001 4x2 Ford F150

- Station 422 – 3834 Lear Avenue (Desert Heights)

  This station is staffed 24-hours a day by a 3-person engine company consisting of a career (paid) company officer and two volunteer reserve firefighters.

  Station 422 equipment:

  - Engine 422: 2007 Pierce, 1500 gallons per minute (GPM), 750 gallon tank
  - Reserve Engine 422: 2000 Pierce, 1250 GPM, 500 gallon tank
  - Rescue 422: 1986 E-One/Ford, CAL EMA light rescue, lighting, air support
  - Captain 421/422: 2008 4x4 Ford F150, Command Vehicle

Operational command is handled by a career duty officer (Fire Chief or Captain) who is either in station or on-call within the district.

- Fire Suppression
- Emergency Medical Response (Basic Life Support)
- Victim Rescue
- Hazardous Material Emergency Response – Operational Level
- Fire Investigation (Basic Cause and Origin)
- Fire Prevention and Plan Review
- Public Safety Education

The career full-time staff consists of the Fire Chief and six company officers (two Captains and four Engineers). They are assisted by one part-time administrative assistant and 30 volunteer reserve firefighters. The company officers work 72 hours per week and are trained in all the diverse aspects of today's fire service. Besides training in structural and wildland firefighting and as emergency medical technicians, these company officers have additional training, in hazardous materials and

technical rescue (vehicle extrication, swiftwater, high-angle, trench, and confined space), required to lead the reserve firefighters.

According to the Twentynine Palms Fire, the reserve firefighters are men and women seeking full-time careers in the fire service. They have received basic training as firefighters and emergency medical technicians at community colleges throughout Southern California including the Fire Technology Program at Copper Mountain College. These reserve firefighters normally stand one 24-hour shift per week at a fire station. Many of them travel 100 miles or more, one way, from their homes in Southern California to stand duty in Twentynine Palms. Their service allows Twentynine Palms Fire to maintain daily staffing at both fire stations and they gain valuable experience and additional training as they pursue the goal of a full-time career in the fire service.

Calls and Response Times

In general, the District's responses within its boundaries for the past five years has been relatively even for number of calls and average response time. In 2011, the overall average response time was six minutes and 29 seconds for all calls within the 87 square mile district. The first unit arrived on scene in eight minutes or less 85% of the time.

29 Palms Fire Department Incident Response in District (5 Year History)

(does not include "dispatched and canceled enroute)

January 1, 2007 to December 31, 2007

Category	Number of Calls	Average Response Time
Medical	1546	06:21
Fire	82	06:46
Traffic	145	05:37
Other	377	07:29
Total	2150	06:31

January 1, 2008 to December 31, 2008

Category	Number of Calls	Average Response Time
Medical	1566	07:06
Fire	92	07:10
Traffic	127	05:54
Other	349	06:56
Total	2134	07:00

January 1, 2009 to December 31, 2009

Category	Number of Calls	Average Response Time
Medical	1634	06:06
Fire	82	06:09
Traffic	118	06:33
Other	335	07:37
Total	2169	06:22

January 1, 2010 to December 31, 2010

Category	Number of Calls	Average Response Time
Medical	1612	06:18
Fire	65	08:02
Traffic	116	06:29
Other	325	07:26
Total	2118	06:32

January 1, 2011 to December 31, 2011

Category	Number of Calls	Average Response Time
Medical	1687	06:18
Fire	69	06:56
Traffic	104	06:02
Other	320	07:29
Total	2180	06:29

The chart below shows the Twentynine Palms Fire's incident volume outside of its boundaries. For the five year span, 6.2% of Twentynine Palms Fire's calls were to areas outside of its boundaries. Specifically, in 2011 Twentynine Palms Fire was requested 37 times to respond east of its jurisdiction (Wonder Valley) with the majority of the responses being for traffic collisions and structure fires.

29 Palms Fire Department Incident Response out of District (5 Year History)

OODE - Wonder Valley, Amboy and areas east of 29 Palms
OOD29 - County pocket in 29 Palms
OODW - Yucca Valley, Joshua Tree, Copper Mountain Mesa, Landers, and Morongo Valley
OOMB - Areas outside the Morongo Basin
JTNP - Joshua Tree National Park
MCT - 29 Palms Marine Corps Base

January 1, 2007 to December 31, 2007

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	10	3	5	0	6	0	24
Fire	8	2	4	4	0	0	18
Traffic	17	2	2	0	1	0	22
Other	4	3	8	1	0	0	16
*D/CER	89	0	21	10	4	2	126
Total	128	10	40	15	11	2	206

*Dispatched and Cancelled Enroute

January 1, 2008 to December 31, 2008

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	1	4	7	0	10	0	22
Fire	5	1	4	0	1	0	11
Traffic	7	1	1	0	4	0	13
Other	3	0	6	0	1	0	10
*D/CER	41	0	17	5	2	1	66
Total	57	6	35	5	18	1	122

*Dispatched and Cancelled Enroute

January 1, 2009 to December 31, 2009

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	1	3	4	0	6	0	14
Fire	2	0	6	0	1	0	9
Traffic	6	0	4	0	2	0	12
Other	2	2	5	0	2	0	11
*D/CER	44	1	39	1	2	1	88
Total	55	6	58	1	13	1	134

*Dispatched and Cancelled Enroute

January 1, 2010 to December 31, 2010

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	0	1	6	0	12	0	19
Fire	0	0	3	0	1	0	4
Traffic	8	2	2	0	2	0	14
Other	0	1	2	0	3	1	7
*D/CER	25	2	37	4	2	1	71
Total	33	6	50	4	20	2	115

*Dispatched and Cancelled Enroute

January 1, 2011 to December 31, 2011

Category	OODE	OOD29	OODW	OOMB	JTNP	MCT	Total
Medical	0	1	4	1	17	1	24
Fire	10	0	6	0	1	0	17
Traffic	5	2	2	0	3	0	12
Other	2	1	4	1	1	0	9
*D/CER	20	2	43	3	4	1	73
Total	37	6	59	5	26	2	135

*Dispatched and Cancelled Enroute

Capital Improvement Budget

The department maintains an Apparatus Reserve Fund for equipment replacement and the fund currently has $245,000. The replacement of Engine 421 is currently planned for FY 2014-2015. The District in its FY 2011-12 Fire Budget identifies the following projects through FY 2015-16. Of note, the expansion and rehabilitation of the downtown station totaling roughly $1 million is an unfunded project to date.

FY 2011-12 Fire Capital Budget

	PROJECT:	Fiscal 2011-12 Budget	Estimated Fiscal 2012-13	Estimated Fiscal 2013-14	Estimated Fiscal 2014-15	Estimated Fiscal 2015-16
a.	Asbestos Removal, Old Downtown Station (Unfunded)	0	0	0	0	0
b.	Replacement Command Pickup	0	0	0	0	45,000
c.	Replacement of Engine 421	0	0	0	500,000	0
d.	Firefighting and Rescue Equipment	0	0	0	25,000	0
e.	Turnout Gear Replacement	6,000	6,000	15,000	15,000	15,000
f.	Rescue Equipment, Grant Funded	22,000	0	12,000	12,000	12,000
g.	Replacement Radios, Grant Funded	100,000	0	0	0	0
	Total Expenditures	**128,000**	**6,000**	**27,000**	**552,000**	**72,000**
	UNFUNDED PROJECTS:					
	Expansion and Rehabilitation of Downtown Station		$975,000			
	Asbestos Removal, Old Downtown Station		10,000			
	Total Unfunded Projects		**$985,000**			

3. Parcel tax charge by County Fire Zone FP-4

Parcel 0592-021-19 was historically charged the County Fire FP-4 special tax and CSA 70 Zone M service charges for park and roads, even though it is in the Twentynine Palms Water District (which does fire) and the City (which does parks and roads). This area was annexed to the Water District and the City through LAFCO 2805, and that action removed the area from the County Service Area 70 Zone M (predecessor agency for Wonder Valley fire). The action was memorialized through a State Board of Equalization (BOE) "Statement of Boundary Change". This statement was forwarded by the BOE to the County Assessor for implementation. The tax rate area code (19016) indicates that the parcel is in the City and not within CSA 70, County Fire, or any of their zones. As a part of this service review process, County Fire and the District were informed of this issue.

The County Special Districts Department has notified LAFCO staff that the circumstance has been corrected, the sole parcel has been removed from the CSA 70 Zone M and County Fire Zone FP-4 listings, and that a refund will be issued to the property owner of the tax payments in error. Additionally, Special Districts

Department indicates that the assessment listings for CSA 70 M and Fire Protection Zone FP-4 will be audited this year to verify their accuracy.

4. County Fire Reorganization and County Service Area 70 Tax Share

As a condition of approval for the reorganization of the county board-governed fire agencies, the ad valorem property tax revenues associated with CSA 70 Zone M were transferred to the South Desert Service Zone and the special tax was transferred to the newly formed Service Zone FP-4. However, during the processing of this service review it was discovered that at least a portion of the ad valorem property taxes associated with Zone M were from the detachment of the territory from the Twentynine Palms Park and Recreation District and were provided to Zone M for park purposes. At this time, LAFCO staff is unclear as to when these revenues were converted for fire purposes and by what action of the Board of Supervisors as the governing body.

5. Disadvantaged, Unincorporated Communities

The disadvantaged, unincorporated communities within or contiguous to the District's sphere are within the boundaries of County Fire and its South Desert Service Zone. The Wonder Valley community is also within Zone FP-4 of County Fire whereby residents pay a special tax for service.

C. Sewer

There is no community sewage system and waste water is disposed through individual septic tanks and tile field disposal systems[35]. The District is authorized by LAFCO a Sewer function, although it is service is currently limited to planning.

In 2007, the District and the City met in a joint session to discuss the need for oversight of packaged treatment plants, since such oversight is mandated by the Regional Water Quality Control Board. Through a joint resolution, the City was designated as the lead agency in the oversight of packaged treatment plants within the City limits, and the District will be provided the opportunity to make recommendations on the standards to be established by the City.

A joint committee (two members each from the City and the Twentynine Palms Water District) has been formed to assess the development of a wastewater management plan and solid nutrient plan.

Disadvantaged, Unincorporated Communities

The disadvantaged, unincorporated communities within or contiguous to the District's sphere are also currently on septic systems and leach fields. The Regional Water

[35] Subsurface drainage removes excess water from the soil profile, usually through a network of perforated tubes installed 2 to 4 feet below the soil surface. These tubes are commonly called "tiles" because they were originally made from short lengths of clay pipes known as tiles. Water would seep into the small spaces between the tiles and drains away.

Quality Control Board has expressed concern over the potential contamination of groundwater resources by nitrates from the improper installation and maintenance of septic systems in Twentynine Palms. There are no plans at this time for construction of a water treatment plant and collection system. Additionally, the City is taking the lead for conducting studies to explore the possibility for a wastewater treatment system. Any community contiguous to the City's sphere desiring connection to any potential system would require at a minimum inclusion within the City's sphere and most likely annexation. Further, any potential connection would most likely include installation and connection fees/charges/taxes. However, the implementation of a water system would be too costly. Population densities are so low that there are not enough customers to financially support the construction of a water system.

IV. Financial ability of agencies to provide services.

For this section of the report, staff has reviewed the District's budgets, audits, State Controller reports for cities, and County filing records.

A. General Operations and Accounting

The governmental activities of the District include only fire protection. The business-type activities of the District include only Water operations.

Component Unit

The reporting entity "Twentynine Palms District" includes the activities of the District and the Twentynine Palms Water District Financing Corporation ("Corporation"). The District and the Corporation have a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standard Board ("GASB") Statement No. 14, "The Financial Reporting Entity", for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District. The Corporation is governed by a five-member board appointed by the District board. Although it is legally separated from the District, the Corporation is reported as a blended component unit of the primary government because its sole purpose is to provide financing assistance to the District for construction and acquisition of major capital facilities.

B. Cash and Investments

The chart below shows cash and investments for the past three fiscal years. The District has identified that it experienced a 28% decrease in Temporary Investments at the end of FY 2009-10 due to the completion of a significant number of capital projects and capital purchases during that year. The expenditures included the completion of a reservoir, a production well, a transmission pipeline, as well as other equipment and infrastructure projects. These items were included in the District's capital budget for that year or were carried over from prior year's capital budgets.

Cash and Investments

	2008-09	2009-10	2010-11
Statement of Net Assets			
Cash	$114,203	$132,000	$138,729
Temporary Investments	6,921,798	5,017,151	4,474,529
Restricted *			
Cash	356,750	357,285	357,776
Temporary Investments	300,000	550,000	550,000
Total Cash & Investments	**7,692,751**	**6,056,536**	**5,521,034**

* Restricted cash and temporary investments are temporarily restricted as to withdrawal or use for other than current operations. The District has temporarily restricted these deposits and investments for the acquisition or construction of non-current assets and the liquidation of long-term debt.

C. Water Fund (Business-Type Activity)

Long-Term Debt

At the end of the current fiscal year, the Twentynine Palms Water District had total bonded debt outstanding of $2,108,231, including the portion that is due within one year. All of the District's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) of the Water Fund. All outstanding debt was incurred for the benefit of the Water Fund and accordingly is the sole responsibility of the Water Fund.

2002 Refunding Certificates of Participation

On October 9, 2002, the District issued $2,386,090 in 2002 refunding certificates of participation with an interest rate of 4.27% due through 2012. The purpose of the issuance was to advance refund $2,810,000 of outstanding 1992 certificates of participation with interest rates ranging from 5.00% to 7.10%. Net revenues of the District are pledged to retirement of the certificates of participation. The certificates were paid off based on the prepayment price plus accrued interest and the refunded certificates are no longer outstanding.

State of California, Department of Water Resources Loan

The District contracted with the State of California, Department of Water Resources, for a loan under the Water Conservation and Water Quality Bond Law. Proceeds from the loan were used for the Phase I District Pipeline Replacement. As of June 30, 2011, the District had received $4,872,379 of $5,000,000 approved under the loan agreement. Interest is payable semiannually at 3.4375% per annum from the date loan drawdowns are received from the State, over a loan amortization period of 20 years. The District has agreed to provide for the accumulation of necessary reserves in accordance with Section 12 of the Contract to assure that funds will be available to make the semiannual payments when due.

Net Assets

Most of the District's net assets are invested in water capital assets. The Water Fund's net assets have steadily increased for the past five years, by 8%. As of June 30, 2011, the Water Fund had $30.1 million in net assets. Of this amount $4.5 million is unrestricted.

Net Assets – Business-Type Activities (Water)

	2006-07	2007-08	2008-09	2009-10	2010-11
Net Assets – Business Activities					
Invested in capital assets – net of related debt	$21,258,368	$21,609,970	$22,270,807	$29,752,139	$25,270,287
Restricted for: Debt Service	159,815	330,961	57,695	357,285	357,776
Restricted for: Construction	267,262	0	215,082	208,466	0
Unrestricted	6,296,464	6,588,637	6,507,097	4,462,262	4,497,865
Net Assets	**27,981,909**	**28,529,568**	**29,050,681**	**29,752,139**	**30,125,928**

Revenues and Expenditures

The District's largest revenue types are typically Water Sales and Ready-to-Serve charges, which together represent 80 percent of the Water Fund's total revenue for the year. Water Sales are based on the amount of water delivered to the customer while the Ready-to-Serve rates are the meter charge based on meter size. Water rates increased in July 2010 and again in July 2011. At this time, LAFCO staff is unaware of any proposed rate increase for July 2012.

The Water Fund receives water availability assessments (Water Standby) of $30 for each parcel that is one acre or less, whether serviced or unserviced. These amounts are increased by amounts ranging from $7.50 (for each acre > five-acres) to $8.00 (for each acre from 1 to 5 acres). The maximum that can be assessed per parcel is $1,200. This assessment helps pay the capital costs incurred by the District to make water available (for any purpose) throughout the District, whether the water is actually used or not. This assessment is levied on all parcels within the District boundaries excepting lands receiving "fire only" service or those owned by the Bureau of Land Management.

For FY 2010-11, water sales were $2,544,757 for the year and represent 55 percent of total revenue. Other revenue sources included Ready-to-Serve Charges of $1,151,870; Water Availability Assessments – $602,246; Investment Interest and Penalties - $103,160; Capital Impact Fees - $38,752; and Property Leases - $104,427. Salaries and benefits saw increases primarily from higher retirement and medical benefits. The increase in depreciation was the result of significant capital assets being placed in service during the year while the use of additional bulk chemicals during the year was the primary reason for the increase in Supplies Expense. That increase in volume was the result of the District treating a higher volume of water in FY 2010-11 compared to the prior year. Salaries and

Benefits represent 34 percent of total expenses while Depreciation accounts for 30 percent of expenses.

The figure below is taken from the FY 2011-12 Water Budget and identifies the actual and estimated revenues and expenditures for four fiscal years.

REVENUES:	Fiscal 2010-11 Projected	Fiscal 2011-12 Budget	Fiscal 2012-13 Estimated	Fiscal 2013-14 Estimated
Water Sales and Ready to Serve Charges	$3,643,000	**$3,826,000**	$3,826,000	$4,055,000
Other Operating Revenues	221,000	**212,200**	212,200	212,200
Water Availability Assessment	601,000	**601,000**	601,000	601,000
Interest Revenues	20,000	**20,000**	20,000	20,000
Other Non-Operating Revenues	178,000	**129,600**	129,600	129,600
Grant Funds	0	**0**	0	0
TOTAL REVENUES	**$4,663,000**	**$4,788,800**	**$4,788,800**	**$5,017,800**
OPERATING EXPENDITURES				
Salaries and Benefits	$1,474,130	**$1,678,657**	$1,805,887	$1,915,866
Materials and Supplies	614,500	**668,500**	695,240	723,050
Outside Services	354,500	**401,500**	413,545	455,951
Equipment Costs	135,000	**130,000**	130,000	130,000
Telephone and Utilities	398,800	**421,000**	442,050	464,153
Insurance and Workers' Compensation Ins.	64,000	**87,620**	92,001	96,601
Permits and Fees	31,000	**33,000**	33,825	34,671
Uncollectable Accounts	50,000	**50,000**	50,000	50,000
Training, Seminars, Certifications, Travel, Dues & Subscriptions	44,500	**50,000**	51,000	52,020
Fire Department Reimbursements	(40,554)	**(41,823)**	(43,078)	(44,370)
TOTAL OPERATING EXPENDITURES	**$3,125,876**	**$3,478,454**	**$3,670,471**	**$3,877,941**
NON-OPERATING EXPENDITURES AND TRANSFERS				
Debt Service	$632,477	**$632,477**	$485,811	$339,145
Capital Improvements	220,000	**500,000**	1,080,000	800,000
Replacement & Rehabilitation Expenditures	510,000	**485,000**	155,000	175,000
Transfer To (From) Debt Reserve-Internal	0	**0**	0	0
Proceeds From Debt Offering	0	**0**	0	0
Debt Retirement	0	**0**	0	0
TOTAL NON-OPERATING EXPENDITURES & TRANSFERS	**$1,362,477**	**$1,617,477**	**$1,720,811**	**$1,314,145**
TOTAL EXPENDITURES & TRANSFERS	**$4,488,353**	**$5,095,931**	**$5,391,282**	**$5,192,086**
INCREASE (DECREASE) IN FUND BALANCE	**$174,647**	**($307,131)**	**($602,482)**	**($174,286)**

D. Fire Fund (Governmental Activity)

Long-Term Debt

There is no debt for the fire activities of the District.

Net Assets

The Fire Fund's net assets have steadily increased for the past five years, by 11%. As of June 30, 2011, the Fire Fund had $2.7 million in net assets. Of this amount $1.6 million is unrestricted.

Net Assets – Governmental Activities (Fire)

	2006-07	2007-08	2008-09	2009-10	2010-11
Net Assets – Governmental Activities					
Invested in capital assets – net of related debt	$1,173,754	$1,093,406	$1,071,449	$960,193	$1,106,690
Restricted for: Debt Service	0	0	0	0	0
Unrestricted	1,274,192	1,402,378	1,407,089	1,680,684	1,603,347
Net Assets	**2,447,946**	**2,495,784**	**2,478,538**	**2,640,877**	**2,710,037**

	2006-07	2007-08	2008-09	2009-10	2010-11	4-yr Var.
ASSETS						
Temp. Investments	$ 1,274,038	$1,299,731	$ 1,261,515	$1,253,791	$ 1,193,207	-6%
Accounts Receivable	93,572	144,192	188,499	465,302	509,977	445%
Other	43,904	29,554	33,561	17,897	24,497	-44%
Total Assets	1,411,514	1,473,477	1,483,575	1,736,990	1,727,681	
LIABILITIES						
Deferred Revenue	-	-	158,585	424,472	477,632	
Other	137,322	71,099	43,029	22,704	75,014	-45%
Total Liabilities	137,322	71,099	201,614	447,176	552,646	302%
FUND BALANCE						
Unassigned (Unreserved)	1,274,192	1,402,378	1,281,961	1,289,814	930,035	-27%
Apparatus Reserve					245,000	
Total Fund Balances	$ 1,274,192	$1,402,378	$ 1,281,961	$1,289,814	$ 1,175,035	-8%
REVENUES						
Fire Special Tax	$ 1,219,777	$1,233,297	$ 1,183,804	$1,216,897	$ 1,196,705	-2%
Other	121,848	90,840	138,627	58,008	49,110	-60%
Total Reveues	1,341,625	1,324,137	1,322,431	1,274,905	1,245,815	-7%
EXPENDITURES						
Staff Payroll & Benefits	604,812	658,878	748,093	750,157	806,418	33%
Volunteer Payroll & Ben.	112,802	107,866	123,934	122,254	154,047	37%
Communications	98,100	104,210	116,003	87,580	102,913	5%
Capital Outlay	86,623	75,386	143,790	38,683	31,907	-63%
Other	242,863	249,611	236,008	268,378	265,309	9%
Total Expenditures	1,145,200	1,195,951	1,367,828	1,267,052	1,360,594	19%
Revenue less Expenditure	$ 196,425	$ 128,186	$ (45,397)	$ 7,853	$ (114,779)	
Fund Balances, Beginning	1,077,767	1,274,192	1,327,358	1,281,961	1,289,814	20%
Fund Balances, Ending	$ 1,274,192	$1,402,378	$ 1,281,961	$1,289,814	$ 1,175,035	-8%

Moving beyond the FY 2010-11 audit year, the figure below was provided by the District identifying budget projections through FY 2013-14 following the defeat of its special tax election on April 25, 2012. For FY 2011-12 and FY 2012-13, the estimated deficit of expenditures over revenues is $168,134 and $244,202, respectively. According to the Twentynine Palms Fire Chief, the reduction in Contingency and Apparatus Reserves in FY 2012-2013 is for the transfer of those funds to Unrestricted Fund Balance to provide enough working capital to begin FY 2013-2014. This is how the District would achieve two more years of providing the current service level before the Fire Fund becomes insolvent. This continuing decrease in fund balance prompted the District to put forth a measure on the special mail election this April (Measure H) to increase the District's special fire tax

from $80 to $120 per unit and allow for a $6 annual tax increase for ten years following 2013. The FY 2013-14 estimate previously provided to LAFCO staff includes a revenue, of roughly $536,000. Passage of the measure required 2/3 approval of votes cast, however the measure only received 48% "Yes" votes.

FY 2012-13 Fire Budget

	Fiscal 2010-11 Actual	Fiscal 2011-12 Projected	Fiscal 2012-13 Proposed Budget	Fiscal 2013-14 Estimated
REVENUES				
Operating Revenues	$ 1,199,080	$ 1,217,000	**$ 1,201,000**	$ 1,206,000
Donations and CPR Training Revenues	4,790	2,500	**7,000**	7,000
Grant Revenue	0	114,298	**0**	0
Non-Operating Revenues	41,944	45,000	**33,000**	31,000
Total Revenues	**$ 1,245,814**	**$ 1,378,798**	**$ 1,241,000**	**$ 1,244,000**
EXPENDITURES				
Salaries & Benefits, Paid Staff	$ 780,256	$ 855,400	**$ 901,527**	$ 953,200
Volunteer Operations	132,444	130,600	**133,000**	133,000
Materials and Supplies	29,967	23,900	**30,200**	30,804
Govenmental Charges, SBCO	1,800	26,800	**16,800**	2,136
Utilities	30,833	26,800	**29,700**	30,591
Dispatching Fees	100,708	101,024	**92,000**	96,600
Repair and Maintenance	99,682	86,800	**104,500**	111,590
Insurance, Bonds and Workers Compensation	62,031	62,400	**64,000**	65,920
Overhead Allocation	40,554	41,708	**45,375**	46,963
Training, Travel & Conferences	11,610	11,000	**14,600**	14,892
Dues, Subscriptions, Books & Films	2,195	2,500	**2,500**	2,550
Legal Services and Professional Services	30,840	50,000	**40,000**	30,000
Total Expenses Before Capital Expend.	**$ 1,322,920**	**$ 1,418,932**	**$ 1,474,202**	**$ 1,518,246**
NON-OPERATING EXPENDITURES				
Capital Expenditures		128,000	**6,000**	6,000
Expenditures From Donated Funds - General		0	**5,000**	5,000
Total Expenditures		**$ 1,546,932**	**$ 1,485,202**	**$ 1,529,246**
Total Revenue Less Total Expenditures		**$ (168,134)**	**$ (244,202)**	**$ (285,246)**
Addition (Reduction) To Contingency Reserve		0	**(56,713)**	0
Addition (Reduction) To Apparatus Reserve		0	**(245,000)**	0
Change in Working Capital Balance		**$ (168,134)**	**$ 57,511**	**$ (285,246)**
Beginning Working Capital Balance		**$ 846,298**	**$ 678,164**	**$ 735,675**
Ending Working Capital Balance		**$ 678,164**	**$ 735,675**	**$ 450,429**
Working Capital Required at Start of Year to Meet Cash Flow Needs, Based on $1,518,246 Budget				**$ 632,603**

At this rate, with all things remaining constant, the Fire Fund is projected to exhaust its fund balance by the end of FY 2014-15. Unfortunately, the County's first distribution of taxes occurs in November/December. Therefore, the beginning fund balance would need to have enough funds to operate for five months, or roughly $600,000. Without a proper beginning fund balance, funds would be exhausted a few months into FY 2013-14. The figure below compares Revenues, Expenditures, and Fund Balance from FY 2006-07 through FY 2013-14. As shown, Expenditures are estimated to increase by 34% while Revenues are estimated to decline by 7%. The estimated result will be decrease in fund balance by 65% within seven years, thereby resulting in service delivery and sustainability challenges.

Seven Year Variance

	2006-07	2013-14	7-yr Var.
Revenues	$ 1,341,625	$ 1,244,000	-7%
Expenditures	1,145,200	1,529,246	34%
Rev less Exp	196,425	(285,246)	
Fund Balance End	$ 1,274,192	$ 450,429	-65%

Appropriation Limit (Gann Limit)

Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative)[36], the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIIIB allows the District to designate a portion of fund balance of general contingencies to be used in future years without limitation.

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. A review of the financial statements for the past five fiscal years does include a review of the annual calculation of the appropriations limit.

Government Code Section 7910[37] expands upon the Gann Initiative and requires each local government to annually establish its appropriation limits by resolution. For FY 2011-12, the District adopted an appropriation limit of $1,621,187 related to its special tax only.

D. Post-Employment Benefits

[36] 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).
[37] Added by Stats.1980, c. 1205, p. 4059, § 2. Amended by Stats.1988, c. 1203, § 1; Stats.2007, c. 263 (A.B.310), § 25.

Pension

The Twentynine Palms Water District contributes to the California Public Employees Retirement System (PERS).[38] PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. The contract offers a "3% at 60" for Miscellaneous Plan Members and "3% at 55" for Safety Plan Members. The most recent financial statements for the District identify that it has contributed 100% of its annual pension cost for at least the past three years.

Other Post-Employment Benefits

The District's defined benefit post-employment healthcare plan, (Twentynine Palms Water District Post-Retirement Medical Benefits Program, "TPPRMBP"), provides medical benefits to eligible District employees and spouses. TPPRMBP is a single employer defined benefit healthcare plan administered by the District. A menu of benefit provisions are established through the District's group health insurance plan, which covers both the active and retired members.

The contribution requirements of plan members and the District are established and may be amended by the Board. The District contributes 90% of the employee's and 75% of the spouse's medical insurance premiums until age 65. The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. ARC current rate is 5.7% of the annual covered payroll. The plan is financed on a pay-as-you-go basis.

At June 30, 2010, the Net OPEB Obligation was $68,818. For FY 2010-11, the OPEB cost (expense) was $81,187 ($79,469 plus interest on the Net OPEB Obligation) for the year the District contributed 15%, or $12,194. At June 30, 2011, the Net OPEB Obligation increased to $137,811, as shown below:

Annual Required Contribution	$	79,469
Interest on net OPEB Obligation		5,333
Adjustment to Annual Required Contribution		(3,615)
Annual OPEB Cost (Expense)		81,187
Contributions Made		(12,194)
Increase in Net OPEB Obligation		68,993
Net OPEB Obligation - Beginning of the Year		68,818
Net OPEB Obligation - End of the Year	$	137,811

[38] PERS 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.

E. Filing Requirements

Government Code Section 26909 requires districts to file a copy of its annual audit with the county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, the last audit received was in October 2011 for FY 2010-11.

V. Status of, and opportunities for, shared facilities.

There are no shared or duplication of facilities.

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

The District is an independent special district governed by a five-member board of directors elected at-large. Membership elections are held in odd years as a part of the general district mail ballot election. Five board members are elected at large to four-year overlapping terms. For the August 2009 general election, there were 5,884 registered voters within the District with a 28% voter turnout for that election. Two seats were up for election in 2011. However, since the number of candidates who filed a declaration of candidacy did not exceed the number of seats a scheduled election was not held in 2011. Therefore, the two seats were appointed in-lieu of election. Below is the composition of the current council, their positions, and terms of office:

Board Member	Title	Term	Appointed/Elected
Philip C. Cisneros	President	2013	Elected
Kerron E. Moore, Jr.	Vice-President	2015	Appointed
Chancey Chambers	Director	2013	Elected
Nicholas Bourikas	Director	2015	Appointed
Roger Shinaver	Director	2013	Elected

Regular Board of Directors Meetings are held on the fourth Wednesday of each month at 6 p.m., in the District's administration building located at 72401 Hatch Road in Twentynine Palms. Board meetings are also televised on cable channel 10 at 10 a.m. on the first Saturday and 5 p.m. on the first Sunday of the next month following the meeting.

Operational Efficiencies

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

- A joint committee (two members each from the City and the Water District) has been formed to assess the development of a wastewater management plan and solid nutrient plan.

- The City purchased a fire ladder truck during FY 2010-11 from the Fire Development Impact Fees Capital Projects Fund. The Water District operates and maintains the truck and is contracted to repay the purchase cost to the City.

- The District is a participant in the Association of California Water Agencies Joint Powers Insurance Authority ("JPIA"), which was organized for the purpose of providing liability insurance for the member agencies. The JPIA is a risk-pooling self-insurance authority.

- The District is a participant of the Worker's Compensation Program of the Special District's Risk Management Authority (the "Authority"). The Authority was created for the purpose of providing workers' compensation insurance to its member agencies.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out of Agency Service Agreements

There are no out-of-agency service agreements approved by LAFCO authorizing the District to provide service outside of its boundaries. The District has identified that it does have a small amount of bulk water hauling activity within the community. The District maintains one site where private individuals and a small number of commercial water haulers purchase water that is used both inside and outside District boundaries. Generally, this water is consumed by households where infrastructure is not available. Further, through state-mandated mutual aid agreements, the fire department responds to calls outside of its boundaries.

Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review [39]. 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.

[39] State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

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

Fire

The information presented in the Financial section of this report for the District concludes that the District's Fire operations are unsustainable as presently configured. Therefore, a change in governance for its Fire service will need to be considered. Given this, options regarding District expansion cannot be considered (such as expanding into Wonder Valley). Any scenario concerning the transfer of the District's fire function needs to consider service within the City and to the unincorporated portion of the District.

1. City as the agency responsible for fire protection. Removal of the District's fire function would require the City to become responsible for fire protection within its boundaries as mandated by state law. [40] The City would then succeed to the Water District's special fire tax and fire assets and liabilities within the city as well as any fire assets purchased with City funds. Being the agency responsible for this service, the City would have two options:

    a. The City could provide the service directly, or

    b. The City could contract with another agency (San Bernardino County Fire Protection District or CalFire) for the provision of the service. In this scenario, the City remains as the agency responsible but contracts for the service level that it can afford.

    As for the unincorporated portion, the remainder of the Water District's fire service area would be unsustainable as a stand-alone agency since the majority of the property tax that supports the fire function is derived from within the City. Therefore, it would have to annex to the San Bernardino County Fire Protection District ("County Fire") and its South Desert Service Zone as there would be no other agency able to continue service. County Fire would then succeed to the Water District's assets and special fire tax and fire assets and liabilities within the unincorporated area. Additionally, County Fire would need to form a zone to isolate the special tax revenues which would require an annual budget and audit.

2. County Fire as sole agency responsible. Should the City desire not to be responsible for fire protection within its boundaries, the territory of the Water District could annex to County Fire. This would require the expansion of the County Fire sphere of influence, the City's consent to the annexation of the City by County Fire,

[40] Government Code Section 38611.

which would remove the City's service responsibility. [41] In that case, County Fire would succeed to all of the Water District's assets and liabilities and special tax. Additionally, County Fire would need to form a zone utilizing the Water District's boundaries to isolate the special tax revenues generated which would require an annual budget and audit.

Water

3. Twentynine Palms Water District becoming a subsidiary district of the City. In order for the Water District to become a subsidiary district of the City, at least 70% of registered voters in the District must reside in the City **and** at least 70% of the District's territory must be within the boundaries of the City.

    a. For the August 2009 election (the most recent election for the District) the District contained 5,884 registered voters and approximately 5,332 voters of the District were within the City.[42] At 91%, the District meets the threshold for territory within the boundaries of the City.

    b. The District encompasses 56,919 acres (88.9 square miles) and 35,144 acres (54.9 square miles) of the District is within the boundaries of the City. The District does not meet the territory threshold because only 61.7% of the District's territory is within the boundaries of the City.

[41] Government Code Section 38611.
[42] County of San Bernardino Registrar of Voters, Statement of Votes Cast, General District Election, August 2009.

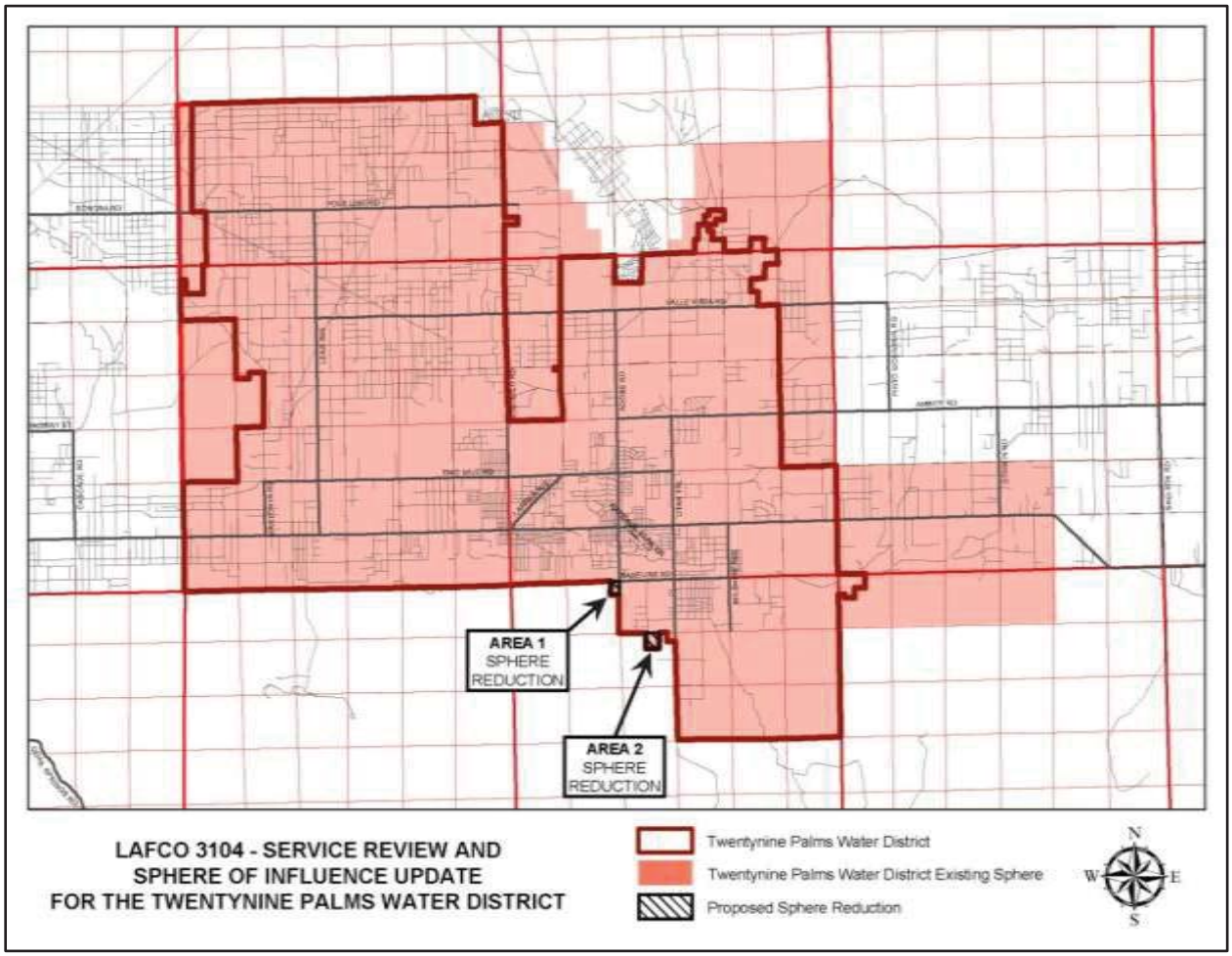
TWENTYNINE PALMS WATER DISTRICT SPHERE OF INFLUENCE UPDATE

Sphere of Influence

In 1972, the Commission established the sphere of influence for the Twentynine Palms Water District. Since that time, there have been few changes to the District's sphere. As discussed in the "Community Discussion" section of this report, staff is reconfirming the Commission's historical Twentynine Palms community definition as the sphere of the Twentynine Palms Water District – with minor modifications. The following are staff's recommended minor modifications for the Water District's existing sphere:

- Reduce the District's existing sphere by approximately 9.5 acres (Area 1) to exclude a portion of its existing sphere along the south, currently within the District's boundaries, comprised of previously privately-owned parcels that are now generally public lands within the Joshua Tree National Park; and,

- Reduce the District's existing sphere by approximately 30 acres (Area 2) to exclude a portion of its existing sphere along the south, currently within the District's boundaries, comprised of previously privately-owned parcels that are now public lands within the Joshua Tree National Park;



Authorized Powers

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)).

Staff recommends that the Commission modify the service descriptions for the Sewer and Fire Protection function to accurately describe the services provided (changes identified in strikeout and underline below):

FUNCTION	SERVICE
Water	Retail, agricultural, domestic, replenishment
Sewer	Planning and engineering
Fire Protection	Structural, watershed, first aid, rescue, prevention, inspection

FACTORS OF CONSIDERATION

Government Code Section 56425 requires the Commission to make four specific determinations related to a sphere of influence update. The staff's responses to those factors are as follows:

I. Present and Planned Uses in the Area, Including Agricultural and Open-Space Lands.

Within the District's boundary and sphere of influence, roughly 73% of the land is privately owned and the remainder, 27%, is public, which are devoted primarily to resource protection and recreational use.

Within the District's entire sphere area, approximately 40% is designated Rural Living, 14% Resource Conservation, and 1% a mix of Commercial, Institutional, and Floodway land uses. The remainder 45% is within the City of Twentynine Palms. Of the 45% District territory that is within the City's boundaries, approximately 46% is Rural Living, 34 % Single-Family Residential, 7% Open Space Residential, 3% Multi-Family Residential, 4% Commercial, 3% Industrial, 3% Public and Floodway.

The areas being proposed for reduction from the District's current sphere of influence (Areas 1 and 2) is designated as RC (Resource Conservation) and have no development potential since these are public land within the within the Joshua Tree National Park.

II. Present and Probable Need for Public Facilities and Services in the Area.

Water

Currently, the District is the sole retail water provider within the community, actively providing retail water service via a pressurized system to incorporated and unincorporated areas. The District provides limited hauled water opportunities for residents within its boundaries.

Groundwater Basins

The District currently relies solely on groundwater as its source. The District overlies three non-adjudicated groundwater basins: the Twentynine Palms Valley Basins (Mesquite Springs Basin), Joshua Tree Basin, and Dale Valley Basin. Within the Joshua Tree Basin are three subbasins: the Indian Cove, Fortynine Palms, and Eastern Subbasins. The District does not produce from the Dale Valley Basin.

Potable water is scarce in the District for several reasons:

1) The area receives an average of only four inches of annual rainfall.
2) There is negligible infiltration of direct precipitation in areas where the alluvial deposits are thick.
3) A substantial amount of runoff is lost to evaporation after flowing into the basin.
4) Some of the water is unsuitable for drinking water due to naturally-occurring soluble minerals, such as fluoride.

No additional sources of water are anticipated to be available to the District in the future. As shown below, the District also has a pumping capacity of 490 gpm (790 AFY) from the Eastern Subbasin. This amount along with the 2,100 gpm capacity (3,395 AFY) in Mesquite Lake Subbasin yields a total of approximately 6,985 AFY of available future groundwater supply. There is the potential to expand the Mesquite Lake Subbasin facilities to include another well if needed in the future. This additional well would improve reliability by allowing for redundancy in the Mesquite Lake Subbasin as well as increasing pumping capacity.

The District, in its FY 2011-12 Water Budget, identifies projects through FY 2015-16. The largest project, totaling $10 million, will provide for an additional three million gallons per day of treated water. The District has identified that the funding for the future expansion of the treatment plant and an additional reservoir associated with this project will come from new debt (existing District debt is scheduled to be paid off in 2015).

Fire

The District provides the following services to an 87 square mile service area covered by two fire stations; Station 421 (Headquarters) located at 6560 Adobe Road and Station 422 (Desert Heights) located at 3834 Lear Avenue.

- Fire Suppression
- Emergency Medical Response (Basic Life Support)
- Victim Rescue
- Hazardous Material Emergency Response – Operational Level
- Fire Investigation (Basic Cause and Origin)
- Fire Prevention and Plan Review
- Public Safety Education

Operational command is handled by a career duty officer (Fire Chief or Captain) who is either in station or on-call within the District.

The career full-time staff consists of the Fire Chief and six company officers (two Captains and four Engineers). They are assisted by 1 part-time Administrative Assistant and 30 volunteer reserve firefighters. The company officers work 72 hours per week and are trained in all the diverse aspects of today's fire service. Besides training in structural and wildland firefighting and as emergency medical technicians, these company officers have additional training, in hazardous materials and technical

rescue (vehicle extrication, swiftwater, high-angle, trench, and confined space), required to lead the reserve firefighters.

The District's ballot measure to increase the fire special tax failed to pass. The future sustainability of this service is now in jeopardy due to the projected inability to start the Fiscal Year 2013-14 with sufficient fund balance to pay expenses until its special tax revenues are received. The department currently maintains an Apparatus Reserve Fund for equipment replacement and the fund currently has $245,000 and was anticipated to replace Engine 421 in FY 2014-2015. However, the Fire Chief has identified that these reserves will need to be used during FY 2013-14 to fund service.

III. Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide.

Water

The District currently serves 7,983 connections, all of which are metered accounts. Approximately 94 percent of the service connections are residential. Commercial connections account for approximately 4.5 percent, landscape irrigation connections account for less than one percent, and fire protection/non-potable connections account for the remaining 1.4 percent of the District's total connections. Records going back to 1994 indicate the relatively similar percentage distributions amongst the land use types. The Marine Corps base provides its own water supply to their facility and is not associated with any of the numbers and projects in the Urban Water Management Plan.

Water provided by the District is derived solely from groundwater pumped from supply wells located along the southern limit of the service area. As of 2010, the District has ten active production wells. The remaining wells are inactive and/or used for groundwater monitoring. Available information indicates that more than 400 private wells have also been constructed within the District's service area. Most of these wells are not currently operated.

Historic pumping and water deliveries by the District have steadily increased since its formation in the mid-1950s. Annual pumping in the 1990s regularly exceeded 900 million gallons (approximately 2,760 acre-feet per year [AFY]), with average daily delivery per service connection slightly under 400 gallons. Total water demand in the District was 2,674 acre-feet (AF) in 2010, with a projected demand of 3,119 AF in 2035.

In 2008, the District identified to LAFCO that current annual water delivery within the District is 1,084,760 gallons. Average daily flow is approximately 2.97 million gallons or approximately 43% (6.897 mg) of system capacity. The District is at approximately 43% capacity with about 8,000 connections. At the current average daily demand, the system could accommodate an additional 10,374 connections until full capacity is reached (approximately 18,000 connections). As for storage, there are 12 storage

tanks for a total storage capacity of 17 million gallons. At an average daily use of 2.97 million gallons, this represents approximately 5.7 days of water usage.

Section 31023 of the California Water Code, within County Water District Law, states that a district may sell surplus water for use outside its boundaries. The District has identified that it does have a small amount of bulk water hauling activity within the community but does not have a declared surplus of water. The District maintains one site where private individuals and a small number of commercial water haulers purchase water that is used both inside and outside District boundaries. Generally, this water is consumed by households where infrastructure is not available. These sales amount to approximately four million gallons per year.

Fire

The District serves the City and areas outside of the City. The services provided by District include fire prevention, fire suppression, emergency, medical aid, hazardous materials containment, and protection from excessive property damage.

The District maintains two fire stations:

- Station 421 – 6560 Adobe Road (Headquarters)

  This station is staffed 24-hours a day by a 3-person engine company consisting of a career (paid) company officer and two volunteer reserve firefighters. Equipment for Station 421 includes the following:

  - Engine 421: 1993 E-One, 1500 gallons per minute (GPM), 500 gallon tank
  - Reserve Engine 421: 1988 Smeal, 1250 GPM, 500 gallon tank
  - Truck 421: 1997 Pierce, 75' aerial, 1500 GPM, 300 gallon tank
  - Brush Patrol 421: 2002 4x4 Pierce/Ford, 500 GPM, 250 gallon tank
  - Chief 5000: 2003 4x4 Ford F150, Command Vehicle
  - Utility 421: 2001 4x2 Ford F150

- Station 422 – 3834 Lear Avenue (Desert Heights)

  This station is staffed 24-hours a day by a 3-person engine company consisting of a career (paid) company officer and two volunteer reserve firefighters. Equipment for Station 422 includes the following:

  - Engine 422: 2007 Pierce, 1500 gallons per minute (GPM), 750 gallon tank
  - Reserve Engine 422: 2000 Pierce, 1250 GPM, 500 gallon tank
  - Rescue 422: 1986 E-One/Ford, CAL EMA light rescue, lighting, air support
  - Captain 421/422: 2008 4x4 Ford F150, Command Vehicle

In 2011, the overall average response time was six minutes and 29 seconds for all calls within the District. The first unit arrives on scene in eight minutes or less 85% of the time. In 2011, the district was requested 37 times to respond east of its jurisdiction

(Wonder Valley) with the majority of the responses being for traffic collisions and structure fires.

IV. Existence of any Social or Economic Communities of Interest in the Area.

Social and economic communities of interest include the City of Twentynine Palms, the Marine Corps Base, Joshua Tree National Park, Twentynine Palms Highway, and the Morongo Unified School District.

CONCLUSION FOR TWENTYNINE PALMS WATER DISTRICT:

The information presented in the Financial section of this report for the Twentynine Palms Water District concludes that the Water District's fire operations are unsustainable. Therefore, the community and regional service providers need to consider a change in governance for the fire service. A number of options have been identified in this report and LAFCO staff remains ready to work with the agencies to seek a solution for this service. This report does not make a choice of option for the future provision of this service.

Staff is recommending that the Commission make the following sphere determinations for the Twentynine Palms Water District:

1. Reduce its existing sphere of influence by a total of approximately 39.5 acres (Areas 1 and 2) to exclude the portions of its existing sphere along the south, currently within the District's boundaries, comprising of previously privately-owned parcels that are now public lands within the Joshua Tree National Park; and,

2. Modify the service description to its Fire Protection function by adding "first aid, rescue, prevention, inspection"; modify the service description to its Sewer function by adding "engineering"; and affirm the remainder of the functions and service descriptions for the District.

Letter Dated January 6, 2016 from City of Twentynine Palms Outlining Agreement on Unfunded Retirement Liability for Twentynine Palms Water District, Staff Report for Joint Meeting of City Council and Board of Directors dated December 7, 2015

Attachment 5

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "**Assignment Agreement**") is made and entered into as of this ____ day of _____, 2016, by and between the TWENTYNINE PALMS WATER DISTRICT, a California county water district authorized pursuant to Government Code § 30000 *et seq.* (the "**Water District**"), and the CITY OF TWENTYNINE PALMS, a California municipal corporation (the "**City**"). The Water District and City shall be referred to individually as a "Party," and collectively as the "Parties."

RECITALS

A. WHEREAS, the Water District currently provides fire services, pursuant to Water Code § 31120, within the boundaries of the City, through the Twentynine Palms Fire Department ("Fire Department").

B. WHEREAS, the Fire Department is governed by the Board of Directors of the Water District. The Fire Department is not a separate entity and functions as a department of the Water District.

C. WHEREAS, San Bernardino County Fire District ("County Fire") has proposed, through a Local Agency Formation Commission ("LAFCO") application for reorganization, to divest the Water District of its fire function performed by the Fire Department and transfer that obligation to County Fire through an annexation of such territory of the Water District which the Fire Department presently services (the "Annexation").

D. WHEREAS, the Water District currently employs, and has previously employed, certain Fire Department employees ("Safety Members") that are members of the California Public Employees' Retirement System ("CalPERS") and have accrued, and will continue to accrue through the end of their employment with the District, pension benefits through the Water District's retirement contract with CalPERS as members of the local Safety Member classification ("District Plan").

E. WHEREAS, while the Water District has a single retirement contract with CalPERS which covers both local miscellaneous and Safety Members – *i.e.,* the District Plan – this Assignment Agreement is limited only to the portion of the District Plan that covers Safety Members ("Safety Portion").

F. WHEREAS, CalPERS recognizes an unfunded accrued actuarial liability attributed to the Safety Portion of the District Plan calculated using a 7.5% assumed rate of return applicable to active or inactive plans, or portions thereof (the "Ongoing UAAL"), which CalPERS projects will be Four-Hundred Thirty-Seven Thousand Sixty-Two Dollars ($437,062.00) as of June 30, 2016 as stated in the Annual Valuation Report as of June 30, 2014 issued by CalPERS in November of 2015.

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San Bernardino County

G. WHEREAS, the Water District's annual funding obligations to CalPERS for the Safety Portion of the District Plan after the last payroll for Safety Members has been reported to CalPERS will consist of the Ongoing UAAL amortized over the average amortization period of the combined existing amortization bases as of the most recent CalPERS valuation report for the Safety Portion of the District Plan ("PERS Obligations"). Notwithstanding the foregoing, the Parties understand that the PERS Obligations normally would include the employer share of normal costs, expressed as a percentage of annual payroll paid to Safety Members; however, this Assignment Agreement does not include normal costs as part of the PERS Obligations.

H. WHEREAS, full payment to CalPERS of the Ongoing UAAL before July 1, 2016 ("FY 2015/16 Ongoing UAAL Payment") is anticipated to eliminate any Ongoing UAAL for Fiscal Year 2016/17.

I. WHEREAS, in the event that the Safety Portion of the District Plan is terminated by the Water District at the direction of the City, the unfunded accrued actuarial liability attributed to the Safety Portion of the District Plan will be calculated using a variable rate based on a weighted average of the 10-year and 30-year U.S. Treasury yields as of the termination date ("Withdrawal Liability") rather than the 7.5% assumed rate of return applicable to active or inactive plans, or portions thereof.

J. WHEREAS, on November 13, 2015, the Water District received a written estimate from CalPERS of the unfunded accrued actuarial liability that would be owed by the Water District in connection with the termination of the Safety Portion of the District Plan on or around October 1, 2016 assuming a 7.5% estimated return for periods beyond June 30, 2015 equal to Three Million Dollars ($3,000,000.00).

K. WHEREAS, in an effort to facilitate the Annexation, the City has agreed to assume the PERS Obligations and, upon termination, the Withdrawal Liability to the extent certain designated funds, as set forth in this Assignment Agreement, are insufficient to pay the PERS Obligations and, upon termination, the Withdrawal Liability.

L. WHEREAS, the Water District shall request that CalPERS move the Safety Portion of the District Plan to inactive status once the last payroll report for Safety Members is submitted to CalPERS.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises and undertakings, and of the representations of the Parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties mutually covenant, contract, and agree as follows:

1. DEFINITIONS.

1.1. Unless otherwise defined in this Assignment Agreement, all capitalized terms shall have the meaning ascribed to such term in the Purchase and Sale Agreement of the Fire

Department Station between the Water District and City ("Purchase Agreement"), attached hereto as Exhibit A.

1.2. For purposes of this Assignment Agreement, the following terms and variations thereof shall have the meanings specified or referred to in this Article 1:

1.2.1. **Annual Valuation**: CalPERS shall provide to the Water District an annual valuation identifying the Ongoing UAAL and PERS Obligations. The annual valuation will show experienced gains or losses for the Safety Portion of the District Plan. Experienced losses of the Safety Portion of the District Plan may necessitate future payments, as determined by CalPERS; experienced gains may not require payments, or may offset the PERS Obligations.

1.2.2. **Cell Tower Leases**: Pre-existing lease agreements between the Water District and certain wireless facility carriers, or their agents, subsidiaries, or representatives, to authorize those wireless facilities on the Water District's property.

1.2.3. **Cell Tower Lease Funds**: Those funds received by the Water District from the Cell Tower Leases, which shall be paid to the Fire Service Zone in an annual installment of Forty Thousand Dollars ($40,000.00), with five equal installments, over a period of five consecutive years, resulting in a cumulative payment of Two-Hundred Thousand Dollars ($200,000.00). Said funds shall be due and payable on July 1 of each year, commencing with the first installment due and payable on July 1, 2016; the final installment shall be due and payable on July 1, 2020, unless as otherwise set forth herein. The District shall cause the Cell Tower Lease Funds to be placed in the Safety Member Irrevocable Trust. Said funds shall be restricted for the exclusive purpose of paying PERS Obligations and, upon termination, the Withdrawal Liability, or any portion thereof. In the event the City elects to terminate the Safety Portion of the District Plan and pay the Withdrawal Liability in a single lump sum payment before all installments required by this Paragraph have been received by the City, all outstanding amounts shall become immediately due and payable, upon written notice by the City as specified herein.

1.2.4. **Fire Operation Funds**: Those funds held by the Water District, resulting from the Fire Service Parcel Tax revenue as of June 30, 2016, in the approximate amount of One-Million, Three-Hundred Thousand Dollars ($1,300,000.00), less the FY 2015/16 Ongoing UAAL Payment and certain costs associated with the Annexation, as identified in the Annexation Costs Schedule, attached hereto as Exhibit B. The District shall cause the Fire Operation Funds to be placed in the Safety Member Irrevocable Trust. Said funds shall be restricted for the exclusive purpose of paying PERS Obligations and, upon termination, the Withdrawal Liability, or any portion thereof.

1.2.5. **Fire Service Parcel Tax**: Those taxes assessed to parcels within the Water District that receive fire service from the Fire Department. Nothing herein shall affect the continued assessment and collection of these taxes.

1.2.6. **Future PERS Obligation Payments**: Those future annual payments to pay the PERS Obligations, as required, directed, or permitted by CalPERS.

1.2.7. **Safety Member Irrevocable Trust Funds**: Collectively, and exclusively, the Cell Tower Lease Funds, the Fire Operation Funds, and the Station Funds. Said Funds shall be maintained in the Safety Member Irrevocable Trust and shall not be commingled with any other funds.

1.2.8. **Safety Member Irrevocable Trust**: A public agency post-employment benefits trust administered by the Public Agency Retirement Services ("PARS"), which shall be adopted by the City and administered by PARS, pursuant to an agreement between the City and PARS. The Safety Member Irrevocable Trust is a tax-exempt trust performing an essential government function within the meaning of Section 115 of the Internal Revenue Code, as amended, and the Regulations issued thereunder, and is a tax-exempt trust under the relevant statutory provisions of the State of California. The Safety Member Irrevocable Trust shall exclusively hold the Safety Member Irrevocable Trust Funds. The City, in its sole and absolute discretion, shall have exclusive control and direction over the Safety Member Irrevocable Trust for the sole purpose of paying PERS Obligations and, upon termination, the Withdrawal Liability, or any portion thereof.

1.2.9. **Station Funds**: Those funds, as set forth in the Purchase Agreement, used by the City to purchase the Fire Department Station from the Water District, equal to the purchase amount of Two-Hundred and Fifty Thousand Dollars ($250,000.00). Upon the effective date of the Purchase Agreement, the District shall cause the Station Funds to be placed in the Safety Member Irrevocable Trust. Said funds shall be restricted for the exclusive purpose of paying PERS Obligations and, upon termination, the Withdrawal Liability, or any portion thereof.

2. ASSIGNMENT BY WATER DISTRICT.

2.1. As of the Effective Date specified herein, the Water District hereby assigns, transfers, and conveys unto the City, its successors and assigns, all of the Water District's rights and obligations with respect to the PERS Obligations and, upon termination, the Withdrawal Liability, including without limitation the exclusive control, in its sole and absolute discretion, over the amounts, structure, and timing—to the extent permitted by and acceptable to CalPERS—of Future PERS Obligation Payments, including but not limited to the ability to pay down and/or off the Ongoing UAAL.

2.2. As of the Effective Date specified herein, the Water District hereby assigns, transfers, and conveys unto the City, its successors and assigns, the exclusive control, in its sole and absolute discretion, over any Safety Member Irrevocable Trust Funds for the sole purpose of paying the PERS Obligations and, upon termination, the Withdrawal Liability, or any portion thereof.

2.3. As of the Effective Date specified herein, the Water District hereby assigns, transfers, and conveys unto the City, its successors and assigns, the exclusive right, in its sole and absolute discretion, to decide to terminate the Safety Portion of the District Plan, in accordance with the process laid out in Section 5.7 of this Assignment Agreement, and as consistent with CalPERS rules and regulations relating to the termination of a portion of a retirement contract, provided that, the City agrees to assume liability for payment of the resulting Withdrawal Liability.

3. ASSUMPTION AND AGREEMENT TO PAY.

3.1. The City hereby accepts the assignment stated in Article 2 of this Assignment Agreement and assumes all of the rights, liability, obligations, covenants, and agreements of the Water District with respect to the PERS Obligations and, upon termination, the Withdrawal Liability and further accepts the right to decide to terminate the Safety Portion of the District Plan. Any reference to the Water District in documents relating to the PERS Obligations and, upon termination, the Withdrawal Liability, described above, shall be deemed a reference to the City. Notwithstanding the foregoing, the City shall have no liability to the Water District for any default relating to the PERS Obligations, arising prior to the assumption of the PERS Obligations by the City; all liability resulting from any default (if any) arising prior to the assumption of the PERS Obligations by the City shall be retained by the Water District.

3.2. The City hereby agrees to pay all Future PERS Obligation Payments regardless of whether the Safety Member Irrevocable Trust Funds are sufficient to make any and all Future PERS Obligation Payments.

3.3. The City hereby agrees to pay the Withdrawal Liability, as required, directed, or permitted by CalPERS, resulting from the City's direction to the Water District that it terminate the Safety Portion of the District Plan, as set forth herein.

4. TERM AND TERMINATION.

4.1. Term. The term of this Assignment Agreement shall be concurrent with County Fire's provision of fire services resulting from the Annexation, except as may be limited as set forth herein.

4.2. Termination. This Assignment Agreement shall terminate upon termination of the Safety Portion of the District Plan and full payment by the City of the resulting Withdrawal Liability, in the event that the Annexation is not completed, or if the Water District otherwise continues, or recommences, the provision of fire services to the City, whichever shall occur first.

5. REPRESENTATIONS, COVENANTS, AND WARRANTIES OF WATER DISTRICT. The Water District hereby represents, covenants, and warrants that it:

5.1. will, before the Effective Date specified in this Assignment Agreement but no earlier than the completion of the protest process make the full FY 2015/16 Ongoing UAAL Payment to CalPERS; provided, that the sole source of such payment will be from the Fire Operation Funds;

5.2. will request, on the same day that the last payroll report is submitted to CalPERS, that CalPERS move the Safety Portion of the District Plan to inactive status;

5.3. will, on the Effective Date specified in this Assignment Agreement, transfer all Fire Operation Funds, as stated herein;

5.4. will transfer all Cell Tower Lease Funds and Fire Station Funds, as specified herein, unless otherwise specified in the Purchase Agreement, in which case the terms of the Purchase Agreement with respect to the transmission of the Fire Station Funds shall prevail;

5.5. has not previously assigned, pledged, hypothecated, or otherwise transferred any of its rights or liabilities relating to the Ongoing UAAL, PERS Obligations or Withdrawal Liability, or any of its rights to decide to terminate the Safety Portion of the District Plan;

5.6. will take all steps necessary or required, by the City or otherwise, to facilitate making any Future PERS Obligation Payments to CalPERS, including but not limited to, providing the City, within three business days of receipt, any information, written or oral, received from CalPERS relating to the Annual Valuation, Ongoing UAAL, PERS Obligations, or Future PERS Obligation Payments; and

5.7. will take all steps necessary or required, by the City or otherwise, to facilitate a decision by the City, in its sole and absolute discretion, to terminate the Safety Portion of the District Plan, consistent with the requirements regulating termination of a portion of a CalPERS retirement contract, as set forth in CalPERS rules and regulations, including but not limited to:

5.7.1. Upon a determination by the City, in its sole and absolute discretion, of its interest in terminating the Safety Portion of the District Plan, the City shall provide written direction to the Water District to seek a contract amendment to terminate the Safety Portion of District Plan. The Water District shall, at its next meeting following receipt of such written direction from the City for which adequate legal notice can be provided and receipt of the necessary documents from CalPERS, adopt a resolution of intention to amend its contract to terminate the Safety Portion of the District Plan. The Water District shall take all necessary steps to facilitate this process, including but not limited to providing CalPERS with the resolution of intention and any and all other requested documents for purposes of termination. The Water District shall, within three business days of receiving the initial Withdrawal Liability estimate, or other relevant information, from CalPERS, transmit all information received, oral or written, relating to the termination or termination process to the City.

5.7.2. Upon receipt of CalPERS' initial Withdrawal Liability estimate, or other relevant information, from the Water District, the City, in its sole and absolute discretion, may choose to proceed with the termination process. If the City chooses to proceed, it shall provide written notice to the Water District of its decision to terminate the Safety Portion of the District Plan. Upon receipt of such written notice, the Water District shall contact CalPERS to obtain the necessary documentation to amend the District Plan to terminate the Safety Portion. After receipt of such documentation, the Water District shall take all necessary steps to terminate the Safety Portion of the District Plan, including but not limited to adopting the contract amendment at its next meeting for which adequate legal notice can be provided and providing CalPERS with the approved contract amendment and any and all other requested documents for purposes of termination.

5.7.3. It is expressly understood by the City that the actual Withdrawal Liability will not be determined until after the Safety Portion of the District Plan is terminated. The Water District shall, within three business days of receiving the actual Withdrawal Liability from CalPERS, or other relevant information, transmit all information received, oral or written, relating to the actual Withdrawal Liability, or other termination information, to the City. The Water District shall take all necessary steps to arrange for the City's payment of the Withdrawal Liability, including but not limited to entering into an installment plan with CalPERS, if so directed by the City. The timing and rate of payment of the Withdrawal Liability shall – subject to CalPERS' agreement – be within the sole and absolute discretion of the City.

6. CITY'S PAYMENT OF FUTURE PERS OBLIGATION PAYMENTS, OR UPON TERMINATION, THE WITHDRAWAL LIABILITY, TO CALPERS. For the purpose of submitting payment for Future PERS Obligation Payments to CalPERS from the Safety Member Irrevocable Trust or any other source, the City shall: (i) identify that said funds are for the PERS Obligations of the Safety Portion of the District Plan; (ii) include the Water District's CalPERS identification number (1940849885); (iii) include or identify the invoice, invoice number, or documentation provided to the Water District by CalPERS for the Safety Portion of the District Plan; and (iv) include a transmission of the appropriate funds. The City shall thereafter immediately provide the Water District with notification that said payment has been made, and a copy of all documentation provided with respect thereto.

7. FAILURE TO TAKE ACTION ON THE TERMINATION OF THE SAFETY PORTION OF THE DISTRICT PLAN.

7.1. In the event that the Water District fails to take action, communicate with, or provide the necessary documents or information to CalPERS, relating to the process of terminating the Safety Portion of the District Plan, as set forth herein, the Water District shall be responsible for any increase in the Withdrawal Liability resulting from said failure or default, commencing with the date of default. Notwithstanding the preceding, the Water District shall not be responsible for any increase in the Withdrawal Liability resulting from delays entirely outside of its control, including but not limited to, delays caused by CalPERS in providing the necessary documentation to the Water District.

7.2. In the event that the Water District fails to take action, communicate with, or provide the necessary documents or information to CalPERS, relating to the making of Future PERS Obligation Payments, the Water District shall be responsible for any costs, fees, or penalties imposed resulting from said failure or default, commencing with the date of default. Notwithstanding the preceding, the Water District shall not be responsible for any increase in the Withdrawal Liability resulting from delays entirely outside of its control, including but not limited to, delays caused by CalPERS in providing the necessary documentation to the Water District.

8. RETURN OF SAFETY MEMBER IRREVOCABLE TRUST FUNDS. In the event of the termination of the Safety Portion of the District Plan and full payment of the Withdrawal Liability, such that no additional payments to CalPERS relating to the Safety Portion of the District Plan are due and owing, the City shall take the necessary actions to ensure that remaining funds in the

Safety Member Irrevocable Trust are returned to the Water District if so permitted by the applicable federal and state laws. [Pending]

9. EFFECTIVE DATE. The assignment and assumption set forth above shall be effective upon the date of issuance of the Certificate of Completion of the Annexation.

10. ASSIGNMENT. This Assignment Agreement shall not be assigned, transferred, or delegated in whole or in part to any person or entity by either City or Water District without the prior written consent of the other Party.

11. ENFORCEMENT OF AGREEMENT.

11.1. Governing Law. This Assignment Agreement shall be interpreted, construed, and governed both as to validity and to performance of the Parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim, or matter arising out of or in relation to this Assignment Agreement shall be instituted in the Superior Court of the County of San Bernardino, State of California, or any other appropriate court in such county. In the event of litigation in federal court, venue shall lie exclusively in the Central District of California—Eastern Division, in Riverside, California.

11.2. Disputes. In the event any Party fails to perform its obligations hereunder, the nondefaulting Party shall provide the defaulting Party written notice of such default. The defaulting Party shall have ten (10) days to cure the default; provided that, if the default is not reasonably susceptible to being cured within said ten (10) day period, the defaulting Party shall have a reasonable time to cure the default, not to exceed a minimum of thirty (30) days, so long as the defaulting Party commences to cure such default within ten (10) days of service of such notice and diligently prosecutes the cure to completion; provided, further, that if the default is an immediate danger to the health, safety, and general welfare, the defaulting Party shall take such immediate action as may be necessary. Notwithstanding the foregoing, the nondefaulting Party may, in its sole and absolute discretion, grant a longer cure period. Should the defaulting Party fail to cure the default within the time period provided in this Section, the nondefaulting Party shall have the right, in addition to any other rights the nondefaulting Party may have at law or in equity, to terminate this Assignment Agreement. Compliance with the provisions of this Section 11.2 shall be a condition precedent to bringing any legal action, and such compliance shall not be a waiver of any Party's right to take legal action in the event that the dispute is not cured.

11.3. Waiver. No delay or omission in the exercise of any right or remedy by a nondefaulting Party on any default shall impair such right or remedy or be construed as a waiver. A Party's consent to or approval of any act by the other Party requiring the Party's consent or approval shall not be deemed to waive or render unnecessary the Party's consent to or approval of any subsequent act. Any waiver by any Party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Assignment Agreement.

11.4. Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Assignment Agreement, the right and remedies

of the Parties are cumulative and the exercise by any Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default of any other default by another Party.

11.5. Legal Action. In addition to any other rights or remedies, any Party may take legal action, in law or in equity, to cure, correct, or remedy any default, to recover damages for any default, to compel specific performance of this Assignment Agreement, to obtain a writ of mandate or declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Assignment Agreement.

11.6. Attorneys' Fees. If any Party to this Assignment Agreement is required to initiate or defend or made a party to any action or proceeding in any way connected with this Assignment Agreement, the prevailing Party in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees; provided, however, that the attorneys' fees awarded pursuant to this Section shall not exceed the hourly rate paid by the City for legal services multiplied by the reasonable number of hours spent by the prevailing Party in the conduct of the litigation. Attorneys' fees shall include attorneys' fees on any appeal, and in addition, a Party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery, and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment. The court may set such fees in the same action or in a separate action brought for that purpose.

11.7. Non-Liability of City Officers and Employees. No officer, official, employee, agent, representative, or volunteer of the City shall be liable to any Party, or any successor-in-interest, in the event of any default or breach by the City or for any amount which may become due on the PERS Obligations, Ongoing UAAL or Withdrawal Liability, for the decision to terminate the Safety Portion of the District Plan, or for breach of any obligation of the terms of this Assignment Agreement.

12. MISCELLANEOUS.

12.1. Notices. Any notice, demand, request, document, consent, approval, or communication any Party desires or is required to give to the other Party or any other person or entity pursuant to this Assignment Agreement shall be in writing and shall be deemed to be given when served personally or deposited in the United States Mail, prepaid, Registered or Certified mail, return receipt requested, at such addresses as they have heretofore specified by written noticed delivered in accordance herewith:

WATER DISTRICT: Twentynine Palms Water District
ATTN: Ray Kolisz, General Manager
72401 Hatch Road
Twentynine Palms, California 92277

CITY: City of Twentynine Palms
ATTN: Frank J. Luckino, City Manager
6136 Adobe Road
Twentynine Palms, California 92277

Any Party may change its address by notifying the other Party of the change of address in writing. Notice shall be deemed communicated at the time personally delivered or in seventy-two (72) hours from the time of mailing, if mailed as provided in this Section.

12.2. Integration; Amendment. This Assignment Agreement, including the attachments hereto, is the entire, complete, and exclusive expression of the understanding of the Parties on the matter of assignment and acquisition described herein. It is understood that there are no oral agreements between the Parties hereto affecting this Assignment Agreement, and this Assignment Agreement supersedes and cancels any and all previous negotiations, arrangements, agreements, and understandings relating to the subject matter herein. No amendment to or modifications of this Assignment Agreement shall be valid unless made in writing and approved and signed by all Parties hereto or their successors-in-interest. The Parties agree that the requirement for written modifications cannot be waived and that any attempted waiver shall be void.

12.3. Interpretation. The terms of this Assignment Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any Party by reason of the authorship of this Assignment Agreement or any other rule of construction which might otherwise apply.

12.4. Headings and Subheadings. The headings and subheadings contained in this Assignment Agreement are for convenience only and shall not define, limit, or otherwise describe the scope or intent of this Assignment Agreement, or any provision hereof, or in any way affect the interpretation of this Assignment Agreement.

12.5. Counterparts. This Agreement may be signed by different parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts shall be deemed an original of this Agreement.

12.6. Severability. In the event that any one or more of the articles, paragraphs, clauses, phrases, sentences, sections, or provisions of this Assignment Agreement shall be declared illegal, invalid, or unenforceable by a court of competent jurisdiction under present or future laws effective during the term of this Assignment Agreement, then and in that event, such illegality, invalidity, or unenforceability shall not affect any of the remaining articles, paragraphs, clauses, phrases, sentences, sections, or provisions of this Assignment Agreement which are hereby declared as severable, and this Assignment Agreement shall be interpreted to carry out the intent of the Parties hereunder, unless the invalid article, paragraph, clause, phrase, sentence, section, or provision is so material that its invalidity deprives any Party of the basic benefit of their respective bargain or renders this Assignment Agreement meaningless.

12.7. Successors-In-Interest. The terms, provisions, and covenants and conditions contained in this Assignment Agreement shall apply to, inure to the benefit of, and be binding upon the Parties hereto and upon their respective heirs, legal representatives, successors, and permitted assigns, except as otherwise herein expressly provided.

12.8. No Third Party Beneficiaries. With the exception of the specific provisions set forth in this Assignment Agreement, there are no intended third-party beneficiaries under this Assignment Agreement and no such other third parties shall have any rights or obligations hereunder.

12.9. Execution of Agreement. The persons executing this Assignment Agreement on behalf of each of the Parties hereto represent and warrant that (i) such Party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Assignment Agreement on behalf of said Party, (iii) by so executing this Assignment Agreement, such Party is formally bound to the provisions of this Assignment Agreement, and (iv) that entering into this Assignment Agreement does not violate any provision of any other Assignment Agreement to which said Party is bound. Each Party agrees to furnish the other, promptly upon demand, a resolution, or other appropriate documentation evidencing the due authorization of such Party to enter into this Assignment Agreement.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

DRAFT

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement as of the date first written above:

TWENTYNINE PALMS WATER DISTRICT, a California county water district

By: _____

Name: _____

President, Board of Directors of the Twentynine Palms Water District

ATTEST:

By: _____

_____, Clerk of the Board

APPROVED AS TO FORM:

By: _____

_____, General Counsel

CITY OF TWENTYNINE PALMS, a California municipal corporation

By: _____

Name: _____

Mayor, City of Twentynine Palms

ATTEST:

By: _____

_____, Clerk

APPROVED AS TO FORM:

By: _____

_____, City Attorney

DRAFT

EXHIBIT A

PURCHASE AGREEMENT

DRAFT

EXHIBIT B

ANNEXATION COSTS SCHEDULE [Pending]

• Fire Chief Severance	$118,731.32
• Accrued Leave	$ 37,374.15
• District Legal Fees (Estimate)	$ 10,000.00
• Landowner Notices	(Amount Pending)
• LAFCO Legal Fees (Estimate)	(Amount Pending)

DRAFT

CITY OFFICES:
6136 ADOBE ROAD
TWENTYNINE PALMS, CA 92277
(760) 367-6799
Fax (760) 367-4890
www.29palms.org

COUNCIL MEMBERS
Daniel L. Mintz Sr., Mayor
John Cole, Mayor Pro Tem
Cora J. Heiser
Joel Klink
McArthur Wright

CITY MANAGER
Frank J. Luckino, MPA

January 6, 2016

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

RE: Agreement between the City of Twentynine Palms and Twentynine Palms Water District

Mrs. Rollings-McDonald,

The following were the actions taken by the Twentynine Palms City Council on December 7, 2016 along with attached the minutes from the meeting. The minutes are in draft and will be presented for approval next meeting on January 12, 2016.

- LAFCO will create a new service zone that replicates the current Water District boundaries. This service zone will be used to make the payments to PERS;
- Water District agreed to put the safety plan of PERS in the inactive status (below is the summary of opportunity and challenge with the inactive status);
- Water District agreed to pay to pay the new service zone $40K/annually for 5 years or $200K out of the cell tower lease revenue;
- Water District agreed to sell the fire station to the City for $250K;
- The City agreed to take the risk of the inactive plan; the goal is to terminate the plan once/if the bond rates have hit a point that the City feels the time to be appropriate. The City will use its unrestricted reserves to pay the PERS unfunded liability. The City currently has $10.8M in its unrestricted reserves;
- IF the Unfunded Accrued Actuarial Liability (UAAL) fluctuates, the increased amount will come from the remaining fire cash in the new service zone;

- Water District and City agreed to have the delinquent fire assessment plus penalties in excess of the $135K, in the sustainability pro forma, go to the new service zone. The Water District believes the delinquencies (fees plus penalties) from 14/15 and prior is $300K. A potential $165K could go toward the new service zone;
- If the City terminates the PERS plan and the liability goes down below the cash available in the new service zone, then the excess cash will be disbursed to the City and Water District proportionately to their contributions;
- The City will help finance the start up costs, estimated at $105K. The City is writing Assistance for Firefighter Grant (AFG) with a 10% match. If the grant application is not successful, the start up costs will be financed over 3 years, paid back by FP-5 fees;

If you have any questions or concerns, please let me know.

Thank you

Frank J. Luckino
City Manager

STAFF REPORT

TO: City Council
FROM: City Manager
FOR CITY COUNCIL MEETING: December 7, 2015

SUBJECT: Twentynine Palms Fire Services.

RECOMMENDATION:

That the City Council and Water District Board discuss potential terms of City financial support and guidance from LAFCO; and that the City Council approve the proposal to support the Twentynine Palms Water District financially to relieve the liability burden to proceed with the annexation request into San Bernardino County Fire.

ORDER OF PROCEDURE:

Request Staff Report (City Manager Presenting)
Council Questions of Staff
Request Public Comment
Council Discussion
Motion/Second
Discussion of Motion
Call the Question

Attachments

- LAFCO's Department Review Determination Letter
- Analysis by Harrell & Company Advisors, LLC
- Firm Overview (Harrell & Company)

BACKGROUND:

The Twentynine Palms Fire Department has operated since 2005 on an $80.30 per year special parcel tax that was identified to be sufficient for an 8-year period. In April 2012, the district sought voter approval to increase the tax in July 2013 to $120.00 per year with a $6.00 per year increase for a period of 10 years. The ballot measure failed to garner the required 2/3 approvals receiving only 48% approval.

For several years the Water/Fire District, City, and citizens have struggled with the ultimate solution for addressing fire service, with the biggest issue being its ability to remain financially viable. From 2013 – present, a citizens committee was formed, public polling was conducted, and most recently an ad hoc committee was formed. The following were the outcomes:

- Citizens Committee (Larry Bowden, Adam Lunn, Antonio Jimenez, Mary Reeves, and Randy Leaser) – Recommended to keep Fire local and propose another tax at $141.20 for 3 years, included a 3% inflationary factor;

- Public Polling – The Lew Edwards Group (http://www.lewedwardsgroup.com/) recommended not pursuing the above measure because there was no evidence of support;

- Ad hoc Committee – The committee (Mayor Pro Tem Mintz, Councilmember Cole, Board President Moore, and Board Member Giannini) held two meetings with presentations by Fire Chief Thompson on the current situation and a proposal from San Bernardino County Fire Division Chief Chamberlain. At the conclusion of the second ad hoc committee meeting, the Water/Fire District members recommended to bring it back to their full board for a recommendation.

The forecasted fire department budget for fiscal Year 2016/2017 will again be facing deficit spending or a further reduction in service. Additionally, the fire department will need to identify approximately $1M in revenue for capital replacement costs in the next five to seven years.

The governance of fire protection services is a general government function typically funded by the general fund and/or special taxes (parcel, sales, or TOT). In San Bernardino County incorporated communities (city or town), there are only three cities protected by a local fire district, not including the City of Twentynine Palms. The Chino Valley Independent Fire District protects the cities of Chino and Chino Hills and the Apple Valley Fire District protects the Town of Apple Valley. The following are the cities that have their own fire departments: Ontario, Rancho Cucamonga (Subsidiary District), Upland, Montclair, San Bernardino City, Redlands, Loma Linda, Colton, Barstow (Subsidiary District), and Big Bear Lake (JPA). The following have contracts with the County: Fontana (Subsidiary District), Hesperia (Subsidiary District), Victorville, Adelanto, and Needles. The following have contracts with Cal Fire: Yucaipa and Highland. The following are annexed with County Fire: Grand Terrace and Yucca Valley.

The City of Twentynine Palms has a very limited revenue source -- $7.9M ($1.9M Property Taxes, $2.9M in property tax in lieu of Vehicle License Fees, $1.1M in sales tax, and $700K in Transient Occupancy Tax (TOT)). All of this revenue has been directed towards the responsibilities of the City since incorporation, which never included fire service. And although many cities do fund fire out of their general fund, there are other impacts that facilitate that funding; higher sales tax volume, augmented sales tax, augmented TOT, and/or having an enterprise fund.

THE SOLUTION

An annexation application resolution was passed by the Water District on August 26th, with a similar resolution was passed by the City on August 19th. After the resolutions and application were submitted to LAFCO, a departmental review committee was convened on October 22nd to review the application and identify missing information. Attached is the determination letter from that meeting and specifically item 3 (Fire Chief Contract) and 4 (Unfunded Liability for Fire Personnel). An Ad hoc Committee of both the City (Mayor Pro Tem Mintz and Councilmember Cole) and Water District (Board Chair Moore and Director Giannini) convened on November 30th to discuss a solution. The following is the agreed up solution:

- LAFCO will create a new service zone that replicates the current Water District boundaries. This service zone will be used to make the payments to PERS;
- Water District agreed to put the safety plan of PERS in the inactive status (below is the summary of opportunity and challenge with the inactive status);
- Water District agreed to pay to pay the new service zone $40K/annually for 5 years or $200K out of the cell tower lease revenue;
- Water District agreed to sell the fire station to the City for $250K;
- The City agreed to take the risk of the inactive plan; the goal is to terminate the plan once/if the bond rates have hit a point that the City feels the time to be appropriate. The City will use its unrestricted reserves to pay the PERS unfunded liability. The City currently has $10.8M in its unrestricted reserves;
- IF the Unfunded Accrued Actuarial Liability (UAAL) fluctuates, the increased amount will come from the remaining fire cash in the new service zone;

- The City reserves the right to establish a minimum reserve balance in the new service zone. This will give the City the ability to manage the payments and cash asset for optimum results;
- Water District and City agreed to have the delinquent fire assessment plus penalties in excess of the $135K, in the sustainability pro forma, go to the new service zone. The Water District believes the delinquencies (fees plus penalties) from 14/15 and prior is $275K. A potential $140K could go toward the new service zone;
- If the City terminates the PERS plan and the liability goes down below the cash available in the new service zone, then the excess cash will be disbursed to the City and Water District proportionately to their contributions;
- The City will help finance the start up costs, estimated at $105K. The City is writing Assistance for Firefighter Grant (AFG) with a 10% match. If the grant application is not successful, the start up costs will be financed over 3 years, paid back by FP-5 fees;

INACTIVE PERS PLAN VS. TERMINATING THE PLAN

- Terminating the Plan would require a final payment of the plan that is determined by the current earnings of PERS 2.4% and the current US Treasury Bond yields 2.8% that equate to a $2.95M termination payment; OR
- Making an inactive plan that is closed (no more new employees will be added) and making the payment or UAAL which is $437K. This is the only theoretical payment that is due for 20 years. However, IF the PERS earning do not hit 7.5% then the UAAL would rise which the payment would increase. PERS has a 30 year earning average of 8.0%;
- At a point in the future when the US Treasury bond yields are higher than the 2.8%, the City will recommend termination that will lower the current $2.95M liability to a theoretical buyout.
- PERS gave a theoretical scenario IF US Treasury bond yield were at 3.75%, the termination payment would be at $1.4M. The City does not believe the bond yields will move that dramatically so it will be somewhere in the middle;
- The termination would take 12-18 months for PERS to process.

ALTERNATIVES:

The Council can add, delete, or change any and all of the ad hoc recommended items.

FISCAL IMPACT:

The proposal would come out of the City unrestricted reserve balance. The anticipated balance at the end of the current fiscal year is $2.5M over 100% reserves (cash reserves over 15/16 budget). However, part of the $2.5M is a disputed $2M loan repayment from the former RDA to the general fund. The current reserve balance is $10.8M on an $8.3M budget, or 131%.

LAFCO

Local Agency
Formation Commission
for San Bernardino County

215 North "D" Street, Suite 204
San Bernardino, CA 92415-0490
909.383.9900 | Fax 909.383.9901
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www.sbclafco.org

Established by the State of California to serve the Citizens, Cities, Special Districts and the County of San Bernardino

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Special District

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Board of Supervisors

SUNIL SETHI
Public Member

ACQUANETTA WARREN
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STAFF

KATHLEEN ROLLINGS-McDONALD
Executive Officer

SAMUEL MARTINEZ
Assistant Executive Officer

MICHAEL TUERPE
Project Manager

REBECCA LOWERY
Clerk to the Commission

LEGAL COUNSEL

CLARK H. ALSOP

Provided via e-mail and regular mail

November 4, 2015

Ray Kolisz, General Manager
Twentynine Palms Water District
72401 Hatch Road
Twentynine Palms, CA 92277

Dear Mr. Kolisz:

On October 22, 2015, the Departmental Review Committee for the Local Agency Formation Commission reviewed the proposal entitled:

> LAFCO 3200 - Reorganization to include Annexation to the San Bernardino County Fire Protection District, its South Desert Service Zone, its Service Zone FP-5 and the divestiture of the fire function from Twentynine Palms Water District

The following determinations were made:

1. The Assessor, Registrar of Voters, and Surveyor provided comments on the reorganization affecting the San Bernardino County Fire Protection District (hereafter County Fire) and the Twentynine Palms Water District (hereafter Water District).

   a. The Assessor has provided: (1) a list of tax rate areas and values for the annexation area, and (2) a list of overlaying agencies. This has been forwarded to the Property Tax Division of the Auditor Controller's office to begin the property tax transfer process under Revenue and Taxation Code 99. A certified resolution from the County (on behalf of all special districts) is required in order to place the item on the Commission's hearing agenda. Since the Water District does not receive a share of the one percent general property tax levy, the property tax transfer resolution between the Water District and County Fire under current policy would be zero. Please see item the Plan for Service discussion below Item #4(b).

   b. The Registrar of Voters certified that there are 4,668 registered voters within LAFCO 3200. Notice of the Commission hearing will be provided by a legal advertisement of 1/8th page as allowed by Government Code Section 56157 in lieu of individual notice. As a part of the application discussion, LAFCO staff will request that the Commission decide if individual notice is to be provided for the protest hearing.

c. LAFCO staff is coordinating with the County Surveyor's Office on additional changes to the reorganization maps. The revised version of the maps should show the complete title, revision number, date of revision and signature and certification seal of either a licensed land surveyor or registered civil engineer. Seven (7) copies of the revised maps in full-scale form are required to be submitted. In addition, an electronic copy of the maps must be submitted for LAFCO's reproduction purposes.

2. It was noted that no comments were received from the following County departments: Public Works, Land Use Services, Sheriff, and Special Districts.

3. Discussion regarding the processing of the reorganization proposal (LAFCO 3200) was undertaken. It was determined that the reorganization proposal must be heard by no later than the February 17 hearing (tentatively scheduled for the January 20 hearing) in order for the reorganization to take effect by July 1. Therefore, the final Plan for Service (to include the Transition Plan), including all updates outlined below, must be received by LAFCO staff by no later than December 2nd in order to adequately analyze the Plan and agendize the item.

LAFCO staff has reviewed the parcel counts against the County's Property Tax Information Management System (PIMS) within the area proposed for reorganization. The total number of parcels within the area of the District are 16,543 while the District's information identifies 16,487. The District has identified that it currently assesses 15,488 parcels for its special tax; however, our review of the parcel data identifies 15,130 parcels for a new special tax, a difference of 357 parcels or $52,836 in first year revenues. LAFCO staff will need to clear up this issue prior to the January hearing to allow for a determination of feasibility for this proposal. In addition, the staff will need to answer the question as to whether or not the exempt parcels for the City, the 29 Palms Park District, the County of San Bernardino, etc. pay for this service through the application of the special tax.

The breakdown of the parcels from within PIMS shows the following:

Tax Status Within Twentynine Palms Water District	
Owner	**Parcels**
Assessed by County	
Total	**15,130**
Exempt from Assesssment	
City of Twentynine Palms	116
County of San Bernardino	12
County of San Bernardino Park & Rec District	4
County Public Library	1
County Service Area 70 Zone TV-5	1
Government Land	1,008
Hi Desert Memorial Healthcare District	1
Morongo Basin Transit Authority	1
Morongo Basin Unified School District	12
Regents of the University of California	1
San Bernardino County Flood Control District	109
Secretary of Veteran's Affairs	5
State of California	3
Twentynine Palms Public Cemetery District	1
Twentynine Palms Recreation and Park District	8
Twentynine Palms Redevelopment Agency	4
Twentynine Palms Water District	29
United States of America	30
United States Postal Service	2
Victor Valley Union High School District	1
Total	**1,349**
Assessed by State BOE	
Cingular Wireless	2
Cox Communications	1
GTE California Inc	9
Los Angeles SMSA, Inc	1
Questar Line 90 Co	1
Southern California Edison	45
Total	**59**
Not Assessed, Common Area	
Desert Knoll Inc	2
San Bernardino County Flood Control District	2
Turtle Rock in 29 LLC	1
Total	**5**
source: County Assessor (Property Information Management)	

With respect to the Plan for Service submitted and certified by County Fire, the following information is required to be submitted by no later than December 2nd (hopefully sooner). At the outset, LAFCO staff identified that based upon the materials submitted a determination of financially sustainability could not be made; therefore, the proposal as presented could not be supported. The following items and revised materials to achieve a determination of sustainability are:

1. The Plan of Service must include a Transition Plan which describes, among other issues, the immediate transfer of employees, buildings, equipment, etc. upon the effective date of the reorganization. The transfer of buildings, equipment, etc. will be at no cost to SBCFPD. A copy of a Transition Plan related to the consolidation of the Victor Valley Water District and the Baldy Mesa Water District was provided by LAFCO as an example. This updated Plan must be signed and certified by SBCFPD.

2. It was identified that the fund balance, as presently calculated, would not provide for a minimum 10% reserve per LAFCO policy and industry guidelines. The modified Plan for Service will need to address this issue through a recalculation, or a narrative discussion of steps to achieve the reserve in a specified time period.

3. It was identified that the Water District contract with Jim Thompson for the position of Fire Chief expires January 31, 2017. It was discussed that either the Water District could buy out the contract or the Chief could transition to the rank of captain under County Fire. This matter must be addressed in the Transition Plan.

4. It was identified that the CalPERS unfunded amount will remain a liability of the Water District and that the payment structure or mechanism will need to be clearly identified in the Plan for Service and Transition Plan. It was also identified that CalPERS has issued a letter outlining a 10-year amortization schedule rather than a 20-year schedule currently assumed. The following items need to be provided:

    a. The District is to provide LAFCO with a copy of the letter from CalPERS identifying this payment schedule.

    b. Additionally, it was discussed that alternative payment methods involving the County, County Fire and/or City of Twentynine Palms could be used to address this obligation. It was discussed that this mechanism could include a transfer of existing property tax share from the County of San Bernardino and the City of Twentynine Palms to the area through creation of a new Service Zone but that this transfer would be permanent. However, it was noted that such an arrangement does not preclude an agreement for a future property tax exchange to return the previously exchanged property tax once the obligation is repaid and the Service Zone dissolved. Any such agreements would need to be a part of the standard property tax transfer process required

under Revenue and Taxation Code Section 99 as identified at the outset of this letter.

5. It was identified that there are cell tower revenues, with 50% currently going towards fire service and 50% towards water service. This revenue is not transferrable as identified by Water District staff since it will need to be retained to recover the loss of administrative funding from the divestiture of the fire function. This matter needs to be more clearly identified in the Plan for Service.

6. It was identified that the Water District has a vacant parcel that was intended for a future fire station. However, the need for a future fire station on that site is no longer necessary or desirable according to the District. It was discussed that this asset could be used to partially satisfy the Water District's obligations for retirement payment through a sale or buyback by the District. The Water District is to provide a document identifying the parcel's value.

7. Water District personnel and others present at the meeting identified a number of existing contracts whose disposition will need to be addressed as a condition of approval in the LAFCO review process. Those are:

   a. It was identified that the contract with the Consolidated Fire Agencies (CONFIRE) for dispatch services would terminate, as County Fire is a member of CONFIRE.

   b. The Water District identified that the contract with the community college expires June 30, 2016. However, County Fire expressed interest in continuing the relationship but under a new contract.

   c. The Water District identified that the contract with the County Registrar of Voters (ROV) for use of the fire stations as polling locations is believed to expire in Spring 2016.

   d. Additionally, a copy of any and all existing contracts between the Water District and its Fire Department with other entities will need to be reviewed to verify transferability or dispensation as a condition of approval. Copies of these contracts are requested to be provided by no later than December 2, 2015.

8. It was identified that LAFCO has requested the official position of the Twentynine Palms Band of Mission Indians regarding the overlay of County Fire, its South Desert Service Zone and its Service Zone FP-5 through letter dated October 8, 2015. Attached to this letter is a copy of the resolution received outlining the Tribe's support for the proposal.

9. The Water District is required to provide year-end financial information to LAFCO for FY 2012-13, 2013-14, and 2014-15.

10. LAFCO staff expresses its concern that the Plan for Service identified a special tax collection rate of 100%, which is not realistic. County Fire previously identified that the County's collection rates will be utilized instead, estimated at 89 to 90%.

With reference to environmental processing for this proposal, Tom Dodson of Tom Dodson & Associates has indicated the proposal is not judged to pose any adverse changes to the physical environment. Therefore, his recommendation is that the proposal is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061(b).

All the information outlined in this letter must be provided no later than December 2nd but would be desired as soon as possible. At this time, this reorganization proposal is tentatively scheduled for the January 20 hearing; however, that is dependent upon receiving the information outlined in this letter, the completion of the property tax process, and the environmental documentation. If you have any questions on this correspondence, please do not hesitate to contact me at (909) 388-0480 or by email at kmcdonald@lafco.sbcounty.gov.

Sincerely,

KATHLEEN ROLLINGS-McDONALD
Executive Officer

cc: Jim Thompson, Fire Chief, Twentynine Palms Water District
Frank J. Luckino, City Manager, City of Twentynine Palms
Greg Devereaux, Chief Executive Officer, County of San Bernardino
Gary McBride, Chief Financial Officer, County of San Bernardino
Valerie Clay, Deputy Executive Officer, County of San Bernardino
Michelle Blakemore, Chief Assistant County Counsel, County of San Bernardino
Carole Green, Deputy County Counsel, County of San Bernardino
Mark Hartwig, Chief, San Bernardino County Fire Protection District
Don Trapp, Assistant Chief, San Bernardino County Fire Protection District
John Chamberlin, Division Chief, South Desert, SBCFPD
Michael Bell, Director, Consolidated Fire Agencies JPA
Darrell Mike, Chairman, Twentynine Palms Bank of Mission Indians
Anthony Madrigal, Historian, Twentynine Palms Bank of Mission Indians

HARRELL & COMPANY
ADVISORS, LLC

November 24, 2015

To: Frank Luckino

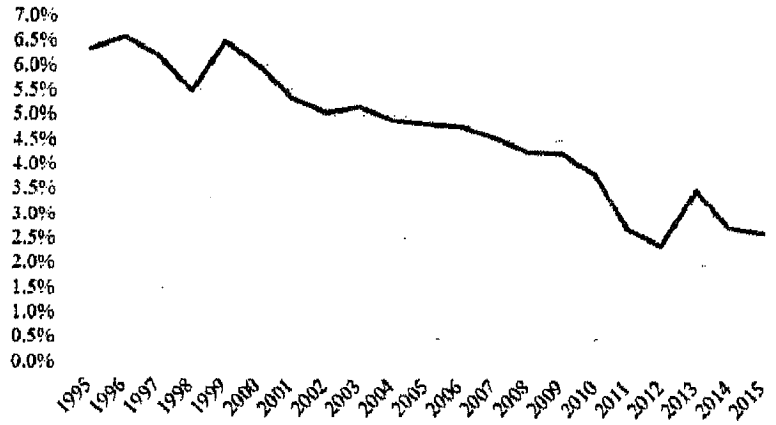
From: Suzanne Harrell

Re: PERS options

In connection with the transfer of fire services from the Water District to the County Fire Protection District (CFPD), the City would like the options for funding the unfunded actuarial actuarial liability (UAAL) under the existing retirement plan for existing and retired personnel to be analyzed. I understand that this liability is not being transferred to the CFPD. I also understand there is approximately $1.3 million available from the existing fire operations that will be available to fund the liability either upfront or over time.

According to the PERS actuary, a termination of the plan on June 30, 2016 would require an estimated payment of approximately $2.95 million ($1.65 million more than what is currently available). PERS bases this calculation not on the existing actuarial imputed investment rate of 7.5% that they use to calculate the regular UAAL for ongoing plans, but using an investment rate that they can achieve today, which approximates the 20 year US Treasury bond yield. This is because in the case of termination, they must take the funds and invest in a fixed portfolio that pays the retirement obligation in full over time. That rate has been between 2.60%-2.75% in the month of November 2015, and a rate of 2.80% has been used by PERS to approximate the termination payment in October 2016.

The chart below shows the 20 Year UST Bond Yield over the last 20 years.

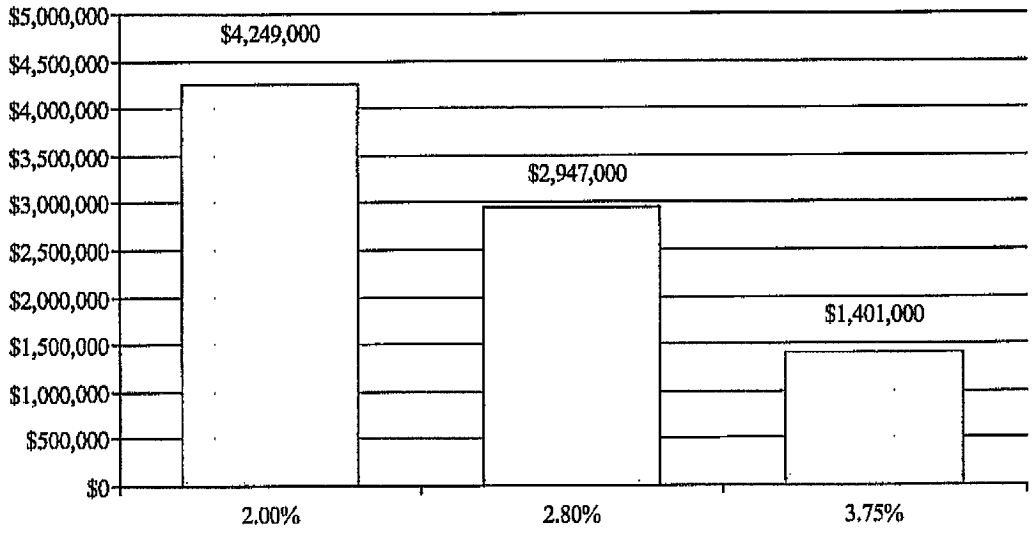


20 Year US Treasury Bond Yield

The City Tower, 333 City Boulevard West, Suite 1430, Orange, California 92868
Tel: 714.939.1464 Fax: 714.939.1462

The termination option provides no chance to recover any market value of the plan assets that were lost during the recession, as well as requiring the use of an investment rate that is at an historical low.

PERS has provided a sensitivity analysis based on the investment rate used upon termination. Instead of 2.8%, if the investment rate at termination was 3.75%, the termination payment on June 30, 2016 will be $1.401 million, or $1.5 million less than the amount required using a 2.8% rate. On the other hand, if the rate were to drop to 2.0%, the termination liability on June 30, 2016 would be $4.249 million, or an additional $1.3 million. For this purpose, PERS has estimated that the October 1, 2016 termination date would be approximately $3 million using a 2.8% rate, which is close to the June 30, 2016 figure of $2.947 million.



Looking at the historic bond yields that would be used to compute the termination liability, it is more likely that the bond yield (used for this purpose) will be in the range of 3% to 3.25% in the next few years. It is unlikely that the bond yield will increase by 1% (from the current 2.75% to 3.75%) by the October 1, 2016 proposed termination date. So for decision making purposes, I would recommend using a $2.8-.3.0 million figure for an October 1, 2016 termination amount.

The alternative to making a termination payment is to put the plan on "inactive status" until a more beneficial investment rate is available. This will require that the responsible agency (assuming that to be the City for this purpose) will make annual payments toward the unfunded liability until a future date when termination is more cost effective. The UAAL for an inactive plan is calculated without future salary increases that are included for plans with active members.

As of June 30, 2016, the UAAL is currently estimated to be $437,000 based on an imputed return of 7.5%. The total payments over 20 years to fund this UAAL would be $850,000. In this instance, the annual payment needed to fund the UAAL is estimated by PERS to be approximately $28,300 in the first year, increasing to $45,000 by the fourth year, staying at this level for about 13 years and then trailing off until it is fully amortized in year 20. There is a risk in this option that the PERS actuarial assumptions can change over that period of time and the liability could increase. In addition, the actual investment rate achieved by PERS will have some effect – lowering the payment slightly if the returns average above 7.5% and increasing the payment if the returns average below 7.5%.

Below is the history of PERS investment yields.

PERS HISTORICAL INVESTMENT RETURNS

Fiscal Year Ending June 30	Rate of Return
2006	12.3%
2007	19.1
2008	(4.9)
2009	(23.4)
2010	11.6
2011	20.9
2012	1.0
2013	12.5
2014	18.4
2015	2.4

Using the June 30, 2016 UAAL example, the UAAL is estimated to be $437,000 based on an imputed return of 7.5%, with total payments over 20 years of $850,000. If the investment rate is 3% in the following year instead of 7.5%, another $125,000 gets added to the UAAL to be amortized over the 20 years (7.5% minus 3% = 4.5% x the market value of existing plan assets of $2.779M = $125,000). So long as the actual investment rates are lower than 7.5%, the UAAL will continue to increase.

One scenario for the inactive option would be to use a portion of the $1.3 million funds on hand to pay the $437,000 UAAL at June 30, 2016 and reserve the balance. This would eliminate the need to make any annual payments in future years as of that date. Then, each year, when the investment rate is known, pay in the new UAAL (for instance, $125,000 in my example), which will eliminate the need to make ongoing payments for that subsequent year's return. This will likely continue for at least 2-3 years until investment rates improve and you can terminate the plan at an amount approaching the funds remaining on hand.

Pursuant to my discussion with the PERS actuary, you will have the ability to compute a termination payment each year, and would be able to decide periodically whether to continue in the inactive mode or to terminate.

Of course, there are many hypothetical scenarios you will want to compare before making this decision, to assess the amount of risk in this alternative and at what point the termination option would the best alternative to minimize future risk.

The risks for this option include actuarial assumption changes, investment gains/losses and demographic gains/losses. For instance, the PERS board voted last week to slowly reduce the investment rate used in calculating the UAAL from 7.5% to 6.5% over a number of years. This will have an impact on the UAAL, although it is not possible to determine what that is at this time.

The end result is that if investment rates available to invest a termination payment go up, the net termination payment will go down. Likewise, if the PERS actual rate of return increases above 7.5%, the UAAL, and therefore the net termination payment, will go down. The opposite will occur if the investment rates go down or the PERS rate of return is below 7.5%.

HARRELL & COMPANY
ADVISORS, LLC

FIRM OVERVIEW

Harrell & Company Advisors

Harrell & Company Advisors, LLC offers independent financial advisory services and debt management strategies to local governments and public agencies throughout the State of California. The firm specializes in financing city and special district capital improvement projects, economic development and infrastructure. Since its formation by Ms. Suzanne Harrell in 2000, Harrell & Company has acted as the independent financial advisor on 267 financings totaling more than $4.6 billion.

The firm is a member of the National Association of Municipal Advisors. Harrell & Company has registered as a municipal advisor with the Municipal Securities Rulemaking Board (MSRB) and the Securities and Exchange Commission (SEC) and is in compliance with all rules promulgated by such bodies pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Harrell & Company Advisors, LLC is a limited liability company. Our offices are located in Orange, California.

Qualifications

Suzanne Harrell, Managing Director

Suzanne Q. Harrell has over 25 years of experience in all aspects of capital financing and financial analysis. Since beginning her public finance career in 1988, she has acted as financial advisor on over $5 billion in total financing for California public agencies. Ms. Harrell is a graduate of Old Dominion University in Norfolk, Virginia and became a Certified Public Accountant in 1984. She has five years of experience in governmental auditing and accounting with the public accounting firm of McGladrey & Pullen and has served as a member of the Special Review Committee for the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

Ms. Harrell often serves as an invited speaker on municipal finance issues at conferences in California. Ms. Harrell presented a session at the California Society of Municipal Finance Officers weekend training seminar on regulation in the municipal securities market. She has also addressed the California Society of Municipal Finance Officers on legislation affecting redevelopment agencies and the California Association of Auditor-Controllers on the fiduciary duties of municipal financial advisors under the Dodd-Frank Wall Street Reform and Consumer

Protection Act. Ms. Harrell has also served as an expert witness on public financing matters on six separate occasions.

Project Finance Experience of Suzanne Q. Harrell

Harrell & Company Advisors provides financial advisory services on bond issues backed by a diverse array of securities, such as:

- General Fund Lease Financings
- Redevelopment/Successor Agency Bonds
- Water/Sewer Revenue Bonds
- Land Secured Bonds

Ms. Harrell's broad experience provides exposure to the widest possible range of financing alternatives and funding techniques used throughout the industry and can benefit issuers of all types of obligations. Harrell & Company Advisors has provided structuring, financial planning, tax increment (RPTTF) projections, prepared official statements, run cashflows and advised on disclosure issues to a variety of issuers of lease revenue bonds, tax allocation bonds, water bonds, assessment district bonds and special tax bonds.

Land Secured Financing

Ms. Harrell's land secured financing experience (both assessment districts and community facilities districts) includes issuance of assessment bonds ranging from $185,000 to over $25 million, with districts having as few as 25 parcels. Land secured financings currently represent approximately 13% of all financings for which Harrell & Company Advisors has acted as financial advisor. Some recent transactions are highlighted below.

SANTA CRUZ COUNTY
CFD NO. 1 (FELTON)

$9,820,000
SPECIAL TAX
REFUNDING BONDS

CITY OF CHINÓ HILLS

$11,195,000
CFD BOND PROGRAM
2015 REVENUE BONDS

CITY OF PALM SPRINGS
REASSESSMENT
DISTRICT 2015-1

$6,645,000
LIMITED OBLIGATION
IMPROVEMENT BONDS

SANTA CRUZ COUNTY
ASSESSMENT DISTRICT
08-01

$832,570
LIMITED OBLIGATION
REFUNDING BONDS

CITY OF CHINO HILLS
REASSESSMENT
DISTRICT 10-1

LIMITED OBLIGATION
IMPROVEMENT BONDS

SANTA CRUZ COUNTY
ASSESSMENT DISTRICT
09-01

$185,000
LIMITED OBLIGATION
IMPROVEMENT BONDS

The GFOA Best Practices suggests that issuers select a method of sale based on a thorough analysis of the relevant rating, security, structure and other factors pertaining to the proposed bond issue. With all the wide-ranging types of credits and bond structures Ms. Harrell has worked on over the last 25 years, she is experienced in analyzing ratings, security and structure needed to advise the City on the selection of a sale method for its different types of bonds.

Public Facilities Financing

Ms. Harrell's public facility financing experience includes such considerable projects as the City of Palm Springs Convention Center expansion, the City of Costa Mesa's Police Facility expansion, the City of Chula Vista's three-phase Civic Center renovation and expansion, the County of Santa Cruz's Watsonville Courthouse project, the Buena Park Police Headquarters, the La Mirada Aquatics Center and the Laguna Hills Community Center.

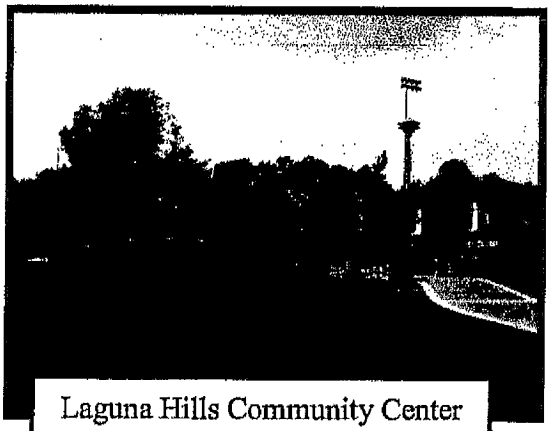
Ms. Harrell is proud to have participated in the financing of the significant community assets shown on the following page.



Palm Springs Convention Center



Chula Vista Police Headquarters



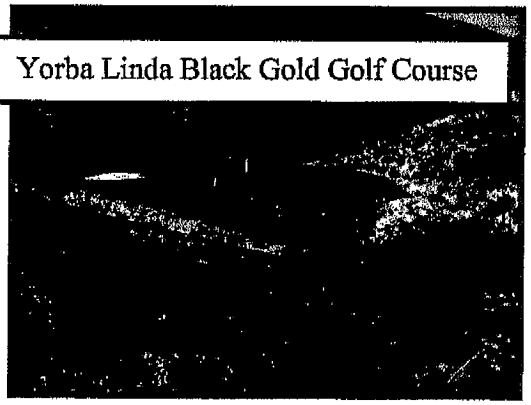
Laguna Hills Community Center



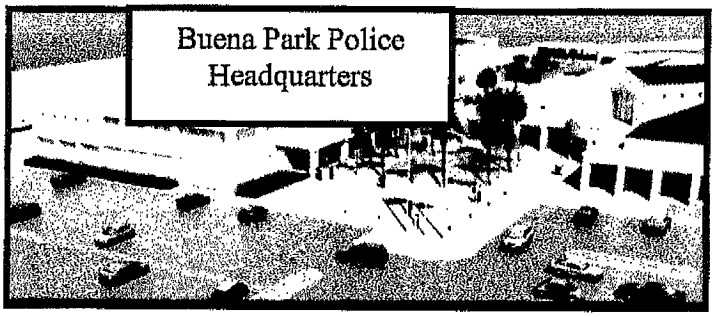
La Mirada Aquatics Center



Costa Mesa Police Facility



Yorba Linda Black Gold Golf Course



Buena Park Police Headquarters

Successor Agency Refinancing

Harrell & Company has acted as financial advisor over $1.9 billion in tax allocation bonds since the firm was founded in 2000 and on 13 series of tax allocation bond issues totalling $475 million since redevelopment dissolution. Ms. Harrell is well-versed in the Department of Finance procedures required for refinancing the Successor Agency's tax allocation bonds.

Harrell & Company's recent post-dissolution transactions are shown below.

$23,195,000

AVALON SUCCESSOR AGENCY

Tax Allocation Refunding Bonds, 2015 Series A & B

$23,665,000

PARAMOUNT SUCCESSOR AGENCY

Tax Allocation Refunding Bonds, Series 2015

$21,960,000

SIGNAL HILL SUCCESSOR AGENCY

2015 Subordinate Tax Allocation Refunding Bonds, Series A and B

$65,600,000

LA QUINTA SUCCESSOR AGENCY

Tax Allocation Refunding Bonds, 2014 Series A

$79,250,000

SANTA CRUZ COUNTY SUCCESSOR AGENCY

Tax Allocation Refunding Bonds, 2015 Series A Taxable 2015 Series B



References

City of Palm Springs, 3200 E. Tahquitz Canyon Way, Palm Springs, CA 92262

David Ready, City Manager; (760) 322-8362, David.Ready@palmspringsca.gov

Jay Thompson, Chief of Staff; (760) 323-8204, Jay.Thompson@palmspringsca.gov

City of Chino Hills, 14000 City Center Drive, Chino Hills, CA 91709

Judy Lancaster, Finance Director; (909) 364-2642, jlancaster@chinohills.org

Santa Cruz County, 701 Ocean Street, Santa Cruz, CA 95060

Carlos Palacios, Assistant County Administrative Officer; (831) 454-3402, Carlos.Palacios@santacruzcounty.us

Mary Jo Walker, Auditor-Controller-Treasurer-Tax Collector; (831) 454-2500, Maryjo.Walker@santacruzcounty.us

Letter from
Twentynine Palms Water District
dated December 28, 2015
outlining position on
Unfunded Retirement Liability

Attachment 6

TPWD

TWENTYNINE PALMS WATER DISTRICT

December 28, 2015

RECEIVED
JAN 04 2015
LAFCO
San Bernardino County

Ms. Kathleen Rollings-McDonald
LAFCO for San Bernardino County
215 North D Street
Suite 204
San Bernardino, CA 92415-0490

Reference: LAFCO 3200-Twentynine Palms Water District and City of Twentynine Palms Joint Meeting

Dear Ms. Kathleen Rollings-McDonald,

On December 7, 2015, at a joint meeting of the Twentynine Palms Water District's Board of Directors (Board) and the City of Twentynine Palms City Council (Council), the Board voted and approved upon the following items to support the Twentynine Palms Fire Department divesture:

- Water District would place the PERS safety plan in the inactive status
- Water District to pay the new service zone $40,000 annually for 5 years or $200,000 out of the unrestricted cell tower lease funds[1]
- Water District would sell the downtown fire station to the City for $250,000

This letter is to confirm the above actions taken by the Twentynine Palms Water District's Board of Directors as outlined in the December 7, 2015 meeting minutes.

Sincerely,

Ray Kolisz
General Manager

Enclosure: Signed Meeting Minutes of December 7, 2015

[1] District will make the annual $40,000 payment on July 1st of each year beginning in 2016 for a 5 year time period.

72401 Hatch Road, Twentynine Palms, California 92277 • 760-367-7546 • Fax 760-367-6612 • www.29palmswater.org

TWENTYNINE PALMS WATER DISTRICT

MINUTES OF THE TWENTYNINE PALMS CITY COUNCIL AND TWENTYNINE PALMS WATER DISTRICT BOARD OF DIRECTORS JOINT MEETING TO DISCUSS TWENTYNINE PALMS FIRE SERVICES

WEDNESDAY, DECEMBER 7, 2015

Call to Order
City of Twentynine Palms Mayor Joel Klink called the meeting to order at 5:01 p.m., 74325 Joe Davis Drive, Twentynine Palms, California.

Pledge of Allegiance
Water District Board President Sam Moore led the pledge.

Twentynine Palms City Council Roll Call
Those responding to roll call for the City of Twentynine Palms were Mayor Joel Klink, Mayor Pro Tem Daniel Mintz, Councilmember Cora Heiser, Councilmember John Cole, Councilmember McArthur Wright. City of Twentynine Palms Staff present were City Manager Frank Luckino and City Clerk Cindy Villescas.

Twentynine Palms Water District Board of Directors Roll Call
Those responding to roll call for the Twentynine Palms Water District were Board President Sam Moore, Vice President Chancey Chambers, Director Carol Giannini, Director Suzi Horn, and Director Roger Shinaver. Twentynine Palms Water District Staff present were General Manager Ray Kolisz, Fire Chief Jim Thompson, Financial Consultant Josh Byerrum, and District Secretary Cindy Fowlkes.

Announcements
Mayor Klink announced these proceedings will be televised on Cable T.V. Channel 10, every Monday following the City Council meeting at 6:30 p.m. and may be viewed on the City of Twentynine Palms website at www.29palms.org.

Public Comments
Cal Cisco, of Twentynine Palms, spoke to a non-agenda item.

1. Twentynine Palms Fire Services
   Recommendation: That the City Council and Water District Board discuss potential terms of City financial support and guidance from LAFCO; and that the City Council approve the proposal to support the Twentynine Palms Water District financially to relieve the liability burden to proceed with the annexation request into San Bernardino County Fire.

   City Manager, Frank Luckino, presented his staff report. Water District General Manager, Ray Kolisz, clarified the agreed upon recommendations by the Fire Ad Hoc committee for the Board's approval:

   - Water District would place the PERS safety plan in the inactive status

- Water District to pay the new service zone $40,000 annually for 5 years or $200,000 out of the unrestricted cell tower lease funds
- The Water District would sell the downtown fire station to the City for $250,000

Ed Vallerand, of Twentynine Palms, would like to see local control of the Lear Fire station and the City's retention of the ladder truck.

Fire Chief John Chamberlain, of San Bernardino County, and Kathleen Rollings-McDonald, of LAFCO, were present in the audience to provide clarification and answer questions. Chief John Chamberlain clarified that Fire Department assets have been identified and some determined for liquidation. The Lear Fire Station would become a regional training center with CMC continuing their use of the station. Ms. Rollings-McDonald explained that LAFCO will draft conditions of approval that must be finalized including the transfer of properties, employee benefits, and the creation of a new fire service zone (FP-5)

After discussion by both the City Councilmembers and Water District Board of Directors which included medical aid services and support, the determination of the property value for the downtown fire station, and the lack of a sustainable revenue source, the following motions were made:

Vice President Chambers made a motion to accept the Ad Hoc committee recommendations and authorize the General Manager to execute all documents, seconded by Director Horn and approved by the following roll call vote:

Ayes:	Directors Chambers, Horn, Moore, and Shinaver
Noes:	Director Giannini
Abstain:	None
Absent:	None

Mayor Pro Tem Mintz made a motion to accept the terms agreed upon by the Ad Hoc committee and authorize the City Manager to execute all documents, seconded by Councilmember Cole and approved by the following roll call vote:

Ayes:	Councilmembers Klink, Mintz, Cole, and Wright
Noes:	Councilmember Heiser
Abstain:	None
Absent:	None

Adjournment
Mayor Klink adjourned the meeting at 5:54 p.m.

Kerron E. Moore, President
Board of Directors

Attest:

Ray Kolisz, Board Secretary
Twentynine Palms Water District

APPROVED DEC 16 2015

Copies of Letters Received from the Public Related to LAFCO 3200

Attachment 7

RECEIVED
FEB 09 2016
LAFCO
San Bernardino County

Kenneth L. Kreklau
P.O. Box 342
Twentynine Palms, California 92277-0342

January 30, 2016

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

Re: LAFCO 3200 – Reorganization to Include Annexation to the San Bernardino County Fire Protection District, Its South Desert Service Zone, and Its Service Zone FP-5, Formation of Service Zone 29 Palms Retirement, and the Divestiture of the Fire Function from Twentynine Palms Water District

Dear Commissioners,

The proposal scheduled for public hearing on February 17, 2016 is seriously flawed in that consideration of municipal responsibilities for public safety by the City of Twentynine Palms and its inherent population of an estimated 25,000 is altogether omitted from the proposal.

As a real property owner, tax-paying citizen, and duly registered voter of the County of San Bernardino, I object to the Commission's formalizing the aforementioned proposal without addressing the legitimate responsibilities for public safety by the municipal government of the City of Twentynine Palms. The argument for cityhood was one of local control.

Should the responsibility for fire protection for the population of Twentynine Palms revert to the County of San Bernardino, then so should all manner of things municipal governance involving the City of Twentynine Palms revert to the County of San Bernardino as was prior to 1987. The City of Twentynine Palms has had more than 28 years to achieve adequate and proper policy and standards for public safety which address and abide by inherent and legal responsibilities for a municipal government within the State of California. The City of Twentynine Palms has to date failed to meet these responsibilities.

Therefore, it would be inappropriate for this Local Agency Formation Commission to proceed as proposed so as to enable continuation of this failure of commitment and responsibility by the City of Twentynine Palms and its legal and implied duties to the State of California and the County of San Bernardino.

Sincerely,

Kenneth L. Kreklau
Esquire

Copy to: Governor Edmund G. Brown Jr.

RECEIVED
FEB 09 2016
LAFCO
San Bernardino County

LAFCO
215 N. "D" Street, Suite 204
San Bernardino, CA 92415-0490

2-6-2016

Attn: Kathleen Rollings-McDonald

Re: LAFCO 3199 and 3200

Dear Mrs. Rollings-McDonald:

We are opposed to the annexation of the Twentynine Palms area into the San Bernardino County Fire Protection District #5(FP-5.)

This annexation would be very similar to the Silver Lakes portion of FP-5 in which thousands of property owners are taxed approximately $150. per year for services they do not receive. FP-5 Silver Lakes is essentially barren land with no improvements.

The exception being Silver Lakes, an area of approximately 3 square miles out of what is believed to be a total 170 square miles. The subsidies being paid to Silver Lakes by probably 85% of the property owners in the district amounts to approximately $1 million per year.

Silver Lakes receives "enhanced fire services" with possibly 80% of the service calls going toward non-fire related emergencies. When FP-5 Silver Lakes was passed in 2006, with the aide of then Supervisor Possums, Silver Lakes already had fire services being paid for through property taxes.

Supervisor Postmus desired the FP-5 funding to pre-aid the proposed Sun-Cal development in the Brisbane Valley Area. Sun-Cal went bankrupt and the majority of the funding is still being collected. Taxation without representation and certainly not equal protection under the law.

It is now proposed to use a similar formula to tax thousands of property owners in the Twenty Nine Palms Area to subsidize the very limited amounts of development in that area. What is the number of parcels within that 60,000+ acre area? This action should not be approved as it would be another example of "formula" taxation about which the County of San Bernardino has become very familiar. The "cash-cow" of out-of-area

taxpayers who will not even be able to vote in a formation election or receive services is outrageous.

We presume that the TAX will be a parcel tax with no variance based upon parcel size. The owner of 100 acres pays the same as the owner of one acre.

We might also add that San Bernardino County Fire becomes a beneficiary under this taxing scheme as it will allow for hiring of more fire personnel and help in the increases of wages and benefits and promotions. The benefit to the unions is a windfall.

The FP-5 Silver Lakes election "MAY" have been legal but it certainly was not ethical.

We are asking that the FP-5, Twentynine Palms annexation not be approved. We are dismayed that the LAFCO Board is governed by too many persons who stand to politically benefit from such annexation.

Sincerely,

A.V.

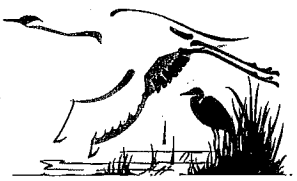
Al Vogler

cc: LAFCO Board members

Letter from Commission Environmental Consultant Tom Dodson of Tom Dodson and Associates Dated February 8, 2016

Attachment 8

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



February 8, 2016

RECEIVED
FEB 09 2016
LAFCO
San Bernardino County

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

Dear Kathy:

LAFCO 3199 consists of a Sphere of Influence (SOI) Amendment for the San Bernardino County Fire Protection District to encompass the Twentynine Palms Water District's service area. LAFCO 3200 consists of a proposal initiated by the Twentynine Palms Water District (District) to reorganize and annex into the San Bernardino County Fire Protection District (County Fire), its South Desert Service Zone and its Service Zone FP-5 (FP-5) for the provision of fire suppression and emergency medical services. The study area encompasses the entirety of the District boundaries as shown on the attached map. The purpose of the SOI Amendment and Reorganization is to annex the District service area to County Fire and its Service Zone FP-5. The Annexation to County Fire Service Zone FP-5 includes the District service area and the area outside of the District generally identified as the peninsula between Morongo Road and the City of 29 Palms south of the Marine Corps base Currently a part of County Fire.

This change of organization will entail the transfer of the District Fire Department employees, assets obligations, liabilities and responsibilities to County Fire and its related service zone. The consideration of the proposed Reorganization will include the annexation into County Fire Service Zone FP-5 which includes a special tax for funding of fire protection and emergency medical response services. This special tax includes an annual inflationary rate of up to a maximum 3% increase. Annexation to County Fire will allow the District to take advantage of the substantial economies of scale available from this agency, as well as existing County Fire stations and personnel located near to the District. If LAFCOs 3199 and 3200 are approved, County Fire will assume responsibility for providing fire suppression and emergency medical response services for the District.

The Reorganization allowed by LAFCO 3200 represents the best possible replacement of the District existing Fire Department by County Fire. The District existing fire, rescue and emergency personnel and physical assets will be transferred to the County, except for Station 421 which will be a leaseback with the City of Twentynine Palms. In essence, these services will continue to be provided to the District service area residents, but County Fire assumes the responsibility for these services in the future. Accordingly, approval of LAFCOs 3199/3200 has no identified potential to cause any modifications to the physical environment. Given this circumstance, I recommend that the Commission find that a Statutory Exemption (as defined in the California Environmental Quality

Act, CEQA) applies to LAFCOs 3199/3200 under Section 15061 (b) (3) of the State CEQA Guidelines (General Rule), 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 LAFCOs 3199/3200, which will facilitate future emergency response service to the residents of the area to be annexed.

Based on this review of LAFCOs 3199 and 3200 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that LAFCOs 3199/3200 does not constitute a project under CEQA and adoption of the General Rule Statutory Exemption and filing of a Notice of Exemption is the most appropriate determination to comply with CEQA for these actions. The Commission can approve the review and findings for these actions and I recommend that you notice LAFCOs 3199/3200 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 it is completed.

A copy of this exemption should be retained in the LAFCO project file to serve as verification of this evaluation and as the CEQA environmental determination record for LAFCOs 3190/3200. If you have any questions, please feel free to contact me.

Sincerely,

Tom Dodson

Tom Dodson

Draft LAFCO Resolution No. 3216

Attachment 9

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

PROPOSAL NO.: **LAFCO 3200**

HEARING DATE: **FEBRUARY 17, 2016**

RESOLUTION NO. 3216

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3200; APPROVING THE REORGANIZATION TO INCLUDE ANNEXATIONS TO THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT, ITS SOUTH DESERT SERVICE ZONE AND SERVICE ZONE FP-5 OF SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT AND DIVESTITURE OF THE FIRE FUNCTION FROM THE TWENTYINE PALMS WATER DISTRICT (generally representing the boundaries of the Twentynine Palms Water District encompassing approximately 59,919 acres (93.6 square miles) for the annexation to County Fire and 63,899 acres (99.8 square miles) to Service Zone FP-5).

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 as the "Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 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 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 order or orders continuing the hearing; and,

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

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WHEREAS, the Commission determines to modify the proposal to expand the annexation to Service Zone FP-5 to include the area generally described as the peninsula of land between Morongo Road and the City of Twentynine Palms, south of the Marine Corps Air Ground Combat Center currently within the San Bernardino County Fire Protection District South Desert Service Zone but without a source of funding for fire protection and emergency medical response; and,

NOW, THEREFORE, BE IT RESOLVED, that the Commission does hereby determine, resolve, order and find 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" and "A-1"attached this resolution;

Condition No. 2. The following distinctive short form designation shall be used through this proceeding: LAFCO 3200;

Condition No. 3. The effective date of this reorganization shall be no earlier than July 1, 2016 subject to completion of terms and conditions outlined in this resolution for approval as authorized by Government Code Sections 56886(p) and 57202;

Condition No. 4. Upon the effective date of the reorganization, the San Bernardino County Fire Protection District (hereafter "County Fire" or "SBCFPD") South Desert Service Zone, as the Successor District to the fire and emergency medical response obligations of the Twentynine Palms Water District through divestiture of its fire function, shall succeed and/or be assigned all rights, duties, responsibilities, properties (both real and personal except as further described in conditions below), contracts, equipment, assets, liabilities (excluding California Public Employees Retirement Fund as detailed in Condition 6 below), obligations, functions, executory provisions, entitlements, permits and approvals of the Twentynine Palms Fire Department (a division of the Water District hereafter identified as "29 Palms Fire"). All outstanding special parcel tax revenues attributable to the Twentynine Palms Water District Ordinance #89 for fire protection and emergency medical response including delinquent taxes and any and all other collections or assets of 29 Palms Fire, shall accrue and be transferred to the Successor District pursuant to 56886(i). Said Successor District shall be subject to the terms and conditions contained herein;

Condition No. 5. Upon the effective date of the reorganization including annexation and divestiture, pursuant to the terms specified in the Plan for Service, attached as Exhibit "B" and the updated Employee/Property Transition Plan, attached as Exhibit "C", all current 29 Palms Fire employees (excluding the Fire Chief) shall transfer to

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the San Bernardino County Fire Protection District South Desert Service Zone with comparable position classifications, rates of pay, accrued vacation and sick leave, vacation and sick leave accrual rates, seniority rights. Said employees shall become subject to the terms and conditions set forth in said Plan for Service. All transferred employees shall be subject to the terms and conditions of the respective San Bernardino County Fire Protection District Memorandum of Understanding in place as of the effective date of the reorganization including annexation for their successor classification;

Condition No. 6 Upon the effective date of the reorganization including annexation and divestiture, the Twentynine Palms Water District shall retain the obligations for PERS unfunded retirement obligations attributed to the safety portion of the District's CalPERS plan, or other contractual obligations related to retirement approved by the District for all suppression and prevention District employees transitioning to County Fire. Prior to issuance of the Certificate of Completion a copy of the signed contractual agreement between the Twentynine Palms Water District and the City of Twentynine Palms shall be provided to the Local Agency Formation Commission. Such agreement shall address the full satisfaction of such unfunded liability, both during inactive status and upon termination of the safety portion of the District's CalPERS plan, minus a lump sum payment of the estimated ongoing unfunded liability as of June 30, 2016 by the District out of the Fire Department fund balance made prior to the effective date of the reorganization. The remaining unfunded liability, both during inactive status and upon termination of the safety portion of the District's CalPERS plan, shall be paid first from assets deposited in an irrevocable trust dedicated exclusively to the payment of such unfunded liability and consisting of, but not limited to:

(i) Fire Department fund balance at June 30, 2016 less amounts for payment of severance, compensated sick leave transfer to County Fire, payment of vacation buyouts and annexation costs specified in the contractual agreement;

(ii) Receipts for the sale of the Fire Station to the City of Twentynine Palms; and

(iii) The payment of additional annual revenues as specified in the contractual agreement.

Any remaining unfunded liability not covered from assets in the irrevocable trust shall be provided for in full pursuant the terms of the contractual agreement;

Condition No. 7. Prior to the issuance of the Certificate of Completion, the Twentynine Palms Water District shall provide to the Executive Officer of LAFCO documentation that it has obtained a Workers' Compensation tailing insurance policy covering all worker compensation claims of all Twentynine Palms Water District fire suppression personnel transitioning to County Fire;

Condition No. 8. Upon the effective date of the reorganization including annexation and divestiture, the Successor District shall accept all facilities transferred from the Twentynine Palms Water District in "as is" condition [pursuant to Government Code Section 56886(h)]. All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.) rolling stock, tools, office furniture, fixtures and equipment, lands, buildings, real and personal property and appurtenances held by the Twentynine Palms Water District, except for Fire Station #421 to be transferred to the City of Twentynine Palms, for the purpose of providing fire protection and emergency medical response, shall be transferred to the Successor District, the South Desert Service Zone of

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SBCFPD. All quitclaim deeds to effectuate the transfer of land and/or buildings and the title transfer documents for vehicles shall be prepared by the Twentynine Palms Water District to be filed upon the effective date of the change with copies provided to LAFCO;

Condition No. 9. Upon the effective date of the reorganization to include annexation and divestiture, Ordinance #89 for collections of a special tax upon the real property within the boundaries of the Twentynine Palms Water District for Fiscal Year 2016-17 and beyond shall be void;

Condition No. 10. Pursuant to the provisions of Government Code Section 56886(e) the SBCFPD Board of Directors shall be required to create a new sub-service zone under FP-5 to isolate the special tax revenue contributed by the territory within the Twentynine Palms community proposed for annexation into Service Zone FP-5 by LAFCO 3200. After conclusion of the protest hearing pursuant to Government Code Section 57000 et seq., but prior to the issuance of the Certificate of Completion, as authorized by Government Code Section 56886(o), the Board of Directors of the SBCFPD shall provide the LAFCO Executive Officer with documentation identifying how the provisions contained in Health and Safety Code Section 13950 to form the new Service Zone of FP-5 will be implemented by County Fire. All actions required by the SBCFPD to implement the special tax shall be completed prior to the August 8, 2016 due date for placement of the special tax on the tax rolls by the San Bernardino County Treasurer/Tax Collector;

Condition No. 11. Prior to the issuance of the Certificate of Completion for the reorganization to include annexation and divestiture, pursuant to the provisions outlined in Government Code Section 56886 (i), (o) and (s), the Commission requires that the successor district, the South Desert Service Zone of SBCFPD and the City of Twentynine Palms finalize a lease agreement for the continuing use of Fire Station #421. The lease payments are identified by the affected parties to provide for payment of the following:

(1) Repayment of improvements at the station funded by the City of Twentynine Palms with a seven year payment schedule for a total of approximately $210,000; and

(2) Transfer of 50% of the proceeds of prior Twentynine Palms Water District Ordinance #89 special fire taxes and fines, forfeitures and penalties attributable to the operations of the Twentynine Palms Water District to be placed in the Irrevocable Trust for Unfunded Retirement payments annually outlined in Condition 6 above. These payments are scheduled to begin in Fiscal Year 2018-19;

Condition No. 12. The Successor District, South Desert Service Zone, shall also assume all joint use, maintenance, automatic aid or mutual aid agreements held by the Twentynine Palms Water District Fire Department [Government Code Section 56886(r)]. Amendments of existing agreements required for successful transfer shall be completed and submitted to the Local Agency Formation Commission prior to the issuance of the Certificate of Completion to address any changes [Government Code Section 56886(r)(v)];

Condition No. 13. Upon the effective date of this reorganization, any funds currently deposited for the benefit of the Twentynine Palms Water District fire operations which have been impressed with a public trust, use or purpose, shall be transferred to

the Successor District and said District shall separately maintain such funds in accordance with the provisions of Government Code Section 57462;

Condition No. 14. Upon the effective date of this reorganization, any funds currently deposited with the 29 Palms Fire for the benefit of its Explorer program shall be transferred to the successor district and said district shall maintain those funds impressed with a public trust, use or purposes separately in accordance with the provisions of Government Code Section 57462;

Condition No. 15. As of the date of approval of the reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56885.5(a) (4), the Board of Directors of the Twentynine Palms Water District shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5, and such action is supported by the San Bernardino County Fire Protection District:

a) **No Increase in Compensation or Benefits:** No increase in calculation for payment of benefits or compensation for employees of the Twentynine Palms Water District Fire Department shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2015-16.

b) **Bound by Current Budget:** No appropriating, encumbering, expending, or otherwise obligating any revenue of the Twentynine Palms Water District Fire Department beyond that provided in the current budget at the time of Commission approval, unless agreed to by the Successor District, shall be allowed.

Condition No.16. The Twentynine Palms Water District and the San Bernardino County Fire Protection District, applicants for this change of organization, shall indemnify, defend and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission;

SECTION 2. DETERMINATIONS. The following determinations are noted in conformance with Commission policy and Government Code Section 56668:

1. The County Registrar of Voters Office has determined that the study area is legally inhabited with 4,668 registered voters as of October 15, 2015.

2. The reorganization area is within the sphere of influence assigned the San Bernardino County Fire Protection District through approval of the companion proposal identified as LAFCO 3199.

3. The County Assessor's Office has determined that the total assessed valuation of land and improvements for the area is $901,124,079 as of November 10, 2015. This figure is broken down as $232,028,198 for land and $669,095,881 for improvements.

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4. Notice of this hearing was published as required by law in *The Sun* and *The Desert Trail,* newspapers of general circulation in the area. As required by State law and Commission policy a 1/8th page legal ad was provided in compliance with the provisions of Government Code Section 56157. Individual notices were provided to all affected and interested agencies, County departments and those individuals and agencies requesting special notice. Comments from registered voters and any affected local agency have been reviewed and considered by the Commission in making its determination.

5. In compliance with the requirements of Government Code Section 56125, individual notice was mailed to landowners within the reorganization area for Service Zone FP-5 as amended (totaling 12,011) due to the special tax being extended. Comments from landowners have been considered by the Commission in making its determination.

6. The proposed reorganization does not conflict with the established City's General Plan. The proposed reorganization has no direct impact on such land use designations.

7. The Southern California Association of Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5. Approval of LAFCO 3200 has no direct impact on these determinations. The Sustainable Community Strategy includes as a determination the need to assure the ongoing availability of health and safety services which approval of LAFCO 3200 will support.

8. The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated his recommendation that the review of this reorganization proposal is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that the proposal will not change the area in which the service is provided; therefore, no physical affect upon the environment can be foreseen. The Commission certifies it has reviewed and considered the environmental recommendation and finds that a General Rule Statutory Exemption as authorized under Section 15061(b)(3) of the State CEQA Guidelines is appropriate. The Commission directs the Executive Officer to file a Notice of Exemption within five (5) working days.

9. The study area is presently served by the following public agencies: County of San Bernardino, City of Twentynine Palms (portion of the area), Twentynine Palms Water District, Twentynine Palms Cemetery District, Mojave Desert Resource Conservation District, Morongo Basin Healthcare District (formerly Hi-Desert Memorial Healthcare), County Service Area 70 and its Zones TV-04 and TV-05 (portion of the area). The Twentynine Palms Water District is affected through the divestiture and transfer of its fire protection and emergency medical response obligation to County Fire as a function of the reorganization. In addition, the change anticipates that the San Bernardino County Fire Protection District, its South Desert Service Zone and its Service Zone FP-5 will be expanded to include the territory of the Twentynine Palms Water District and the "peninsula area" as a function of the reorganization. None of the other agencies

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are affected jurisdictionally by this reorganization proposal as they are regional in nature.

10. Upon reorganization, the primary successor district, the South Desert Service Zone of County Fire, will extend the defined range of services to residents, landowners and governments within the boundaries of the jurisdictional change. The Plan for the Extension of Service, jointly submitted by the Water District and County Fire, provides a general outline of the delivery of services mandated by Government Code Section 56653. This Plan and the Fiscal Impact Analysis indicates that the transfer of service to the South Desert Service and County Fire, can, at a minimum, maintain the level of service delivery currently received by the area. The Plan for Service including Employee/Property Transition Plan and Fiscal Impact analysis have been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The Commission finds that such Plan and Fiscal Impact Analysis conforms to those adopted standards and requirements.

11. The proposal complies with Commission policies and reflects a mechanism to address the long-term sustainability of the delivery of fire suppression, prevention and emergency medical response to the citizens and community of Twentynine Palms. The reorganization area can benefit from the assumption of fire protection and emergency medical response by the South Desert Service Zone of the San Bernardino County Fire Protection District as evidenced by the Plan for Service.

12. This proposal will not affect the fair share allocation of the regional housing needs assigned to the City of Twentynine Palms through the Southern California Association of Government's (SCAG) Regional Housing Needs Allocation (RHNA) process.

13. With respect to environmental justice, the reorganization provides for the continuation of existing fire protection, and emergency medical response services within the area and will not result in the unfair treatment of any person based upon race, culture or income.

14. The County Board of Supervisors has successfully completed the process for the determination of a transfer of ad valorem property tax revenues upon successful completion of this reorganization to the successor agencies, SBCFPD and its South Desert Service Zone noting there will be no exchange of property tax, general levy or tax increment, as the Twentynine Palms Water District receives no share currently. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.

15. The maps and legal descriptions prepared by the County Surveyor are in substantial compliance with LAFCO and State standards.

SECTION 3. Approval by the Local Agency Formation Commission indicates that completion of this proposal would accomplish the proposed change or organization in a

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reasonable manner with a maximum chance of success and a minimum disruption of service to the functions of other local agencies in the area.

SECTION 4. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution in the manner provided by Section 56882 of the Government Code.

SECTION 5. The Commission hereby directs that following completion of the reconsideration period specified by Government Code Section 56895(b), the Executive Officer is hereby directed to initiate protest proceedings in compliance with this resolution and State law (Part 4, commencing with Government Code Section 57000), provide for a 30-day protest proceeding, set the matter for consideration of the protest proceedings, and provide notice of the hearing pursuant to Government Code Section 57025 and 57026.

SECTION 6. Upon conclusion of the protest proceedings, the Executive Officer shall adopt a resolution setting forth her determination on the levels of protest filed and not withdrawn and setting forth the action on the proposal considered.

SECTION 7. Upon adoption of the final resolution by the Executive Officer, either a Certificate of Completion or a Certificate of Termination, as required by Government Code Sections 57176 through 57203, and a Statement of Boundary Change, as required by Government Code Section 57204, shall be prepared and filed for the proposal.

THIS ACTION APRPOVED 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 BERNARIDNO)

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 February 17, 2016.

DATED:

_____
KATHLEEN ROLLINGS-McDONALD
Executive Officer

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LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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DATE: **FEBRUARY 10, 2016**

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

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item #9 - Status Report on LAFCO 3176 -- Special Study for Yermo, Daggett and Newberry Community Services Districts**

RECOMMENDATION:

Staff recommends that the Commission:

1. Note receipt of the status report and file.

2. Set the next status report for the August 2016 hearing for Daggett CSD and Yermo CSD.

BACKGROUND:

At its January 2015 hearing, the Commission completed the special study of the Daggett, Newberry, and Yermo Community Services Districts to address issues identified from the Grand Jury. The special study identified numerous areas where the districts failed to comply with the State Constitution, State Law, and generally accepted good-governance practices. These issues were outlined in the original service review in 2009 and remained unresolved through the special study. The Commission directed staff to continue to monitor progress to rectify the problems identified in the special study and update the Commission every six months until all of the items are satisfied.

The first status update to the Commission was in August 2015. The following is a summary from the first status update:

- Daggett CSD
    - Daggett CSD satisfied the following items: adopted a budget, forwarded the budget to the County Auditor, adopted its annual appropriations limit by resolution, and formalized a lease agreement with the County for the Daggett Community Center.

  - Outstanding items were: had either not completed or forwarded copies of its audits to LAFCO and had not adopted a reserve policy pursuant to CSD Law.
- Yermo CSD
  - Yermo CSD did not satisfy any of the outstanding State Constitution or statutory items identified.
- Newberry CSD
  - Newberry CSD satisfied the following items: forwarded a copy of its budget to the County Auditor, adopted by resolution an appropriations limit, and formally approved accounting procedures.
  - The sole outstanding item was adopting reserve policies.

CURRENT UPDATE:

This is the second scheduled update related to the special study. Since the first status update:

- Newberry CSD has satisfied its sole outstanding requirement (reserve policy).

- Daggett CSD has satisfied all but one outstanding requirement (reserve policy).

- To date, Yermo CSD has not satisfied any of its outstanding requirements identified in the special study relating to the State Constitution or CSD Law. Further, the District has not responded to LAFCO staff's requests for information, is experiencing turmoil within the board, and has been operating without a general manager for over three months.

The issues that were to be addressed as identified from the August 2015 status report are outlined below in italics. This is followed by LAFCO staff's analysis of the current situation:

All Districts

1. *Adopt and annually review reserve policies pursuant to Community Services District Law Section 61112.*

   Newberry CSD adopted reserve policies at its August 25 meeting and provided a copy to LAFCO. Being so, Newberry CSD has satisfied all of the outstanding requirements identified by LAFCO.

   Daggett CSD and Yermo CSD were requested to provide either (1) a copy of the reserve policies along with staff report and minutes, or (2) a statement that the district intends to comply with CSD Law Section 61112. As of the date of this report, both districts have not provided information on this statutory requirement.

Daggett CSD

1. *Originally not included as a monitoring item, Daggett CSD did not complete or provide copies of its FY 2012-13 and FY 2013-14 audits.*

   Following the first status update from August 2015, Daggett CSD provided a copy of its FY 2012-13 audit and completed and provided a copy of its FY 2013-14 audit.

Yermo CSD

1. *Forward a copy of the final budget to the County Auditor pursuant to Community Services District Law Section 61110.*

   As of the date of this report, Yermo CSD has not provided information on this statutory requirement.

2. *Adopt an annual appropriations limit by resolution authorizing the expenditure of the proceeds of taxes and review the annual calculation as a part of the annual financial audit, pursuant to Article XIIIB of the State Constitution, which is further acknowledged by Community Services District Law Section 61113.*

   As of the date of this report, Yermo CSD has not provided information on this constitutional requirement. It is noted that LAFCO staff provided background information to the district and its known independent auditor on March 19, 2015 to assist the district in adopting an appropriations limit. Additionally, LAFCO staff has provided all notices and staff reports of its hearings to Yermo CSD, as well as correspondence following the August 2015 update summarizing the first status update.

Yermo CSD – Current Situation

It has been brought to the attention of LAFCO staff by government entities and the press that Yermo CSD is experiencing turmoil and uncertainty within its Board of Directors. Currently, more than one lawsuit has been filed against Yermo CSD (naming board members), two recall petitions have been certified, and the District has been operating without a general manager for over three months. To better understand these developments, LAFCO staff has assembled a timeline taken from news articles from the *Desert Dispatch*:

- September 2015
  - Recall effort announced against three District board members: Smith, Berner, and Clougen.
  - Board president Smith at a public meeting announces his resignation, to be effective December 31.

  - Director Clougen resigns board position but remains as Fire Chief (an appointed position).

- October 2015 – District board presented with "intent to circulate" notices for recall petition of Smith and Berner.

- November 2015
  - General Manager resigns.
  - District cannot hold a meeting due to lack of quorum.

- December 2015
  - Board President Smith publicly rescinds his resignation that was to be effective December 31. It has been identified that the technical process of the resignation and rescission are in question.

- January 2016
  - LAFCO staff mails letter to District to obtain information for the status update. The letter requests a board and staff roster and an explanation on the lack of movement on the outstanding items from the January 2015 LAFCO special study. LAFCO staff follows up with a fax and phone call with message. As of the date of this report, LAFCO staff has not received any return correspondence or contact.
  - A mortgage company calls LAFCO stating that its phone messages left with the District have not been returned. It is attempting to remove a lien on a property associated with "Yermo Water Community Services District".
  - A Cure and Correct letter is filed with the board citing Brown Act violations during the December meeting and Mr. Smith's rescinding of his resignation.
  - The San Bernardino County Registrar of Voters announced that the two recall petitions (Smith, Berner) have been certified.
  - District board appoints a new fire chief.

It is the understanding of LAFCO staff that the District is seeking to fill the general manger position (as directors set policy and general managers implement policy – CSD Law Sections 61040 and 61051) and the vacant seat on the board.

As for the vacant seat on the board, pursuant to Government Code Section 1780(b), the district is required to notify the county elections official of the vacancy no later than 15 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later. LAFCO staff understands that the board has not yet been able to select a candidate it deems qualified. However, LAFCO staff has confirmed that Yermo CSD has not formally notified the Registrar of Voters of the existing vacancy. Therefore, LAFCO staff questions how an agency can actively seek to the fill a vacancy when it has not notified the County Registrar of Voters of the vacancy as required by law. Further, the with the vacancy taking place in September, the district is past the 60-day timeframe to make an appointment (Section 1780(c)). As

a result, the lack of adherence to state law concerning notifying the ROV and filling the vacancy within the statutory timeframe results in a government not responsive to the representation needs of those within the district and may be a symptom of larger issues. The code citations from the Government Code concerning vacancies is included as Attachment #3 to this report.

LAFCO has already conducted a service review (2009) and a special study which contained a service review update (2015). Both of these reports detailed the challenges facing the community. Additionally, the reports included recommendations for the community to consider regarding alternative government structures; which were unacceptable to the community.

The next status update is scheduled for the August 2016 hearing. At that time, staff will update the Commission on the results of the recall as well as the current health of the district (governance, management, finances, and service delivery). It is hoped that the district will begin to comply with the outstanding requirements of the State Constitution and State Law.

CONCLUSION:

In concluding this status report on compliance,

- Newberry CSD has satisfied all of its outstanding requirements as identified in the special study.

- Daggett CSD has satisfied all but one outstanding requirement as identified in the special study (adoption of a reserve policy pursuant to CSD Law).

- To date, Yermo CSD has not satisfied any of its outstanding requirements from the State Constitution or CSD Law as identified in the special study. Additionally, the District is experiencing turmoil and uncertainty.

LAFCO staff will continue to provide assistance to the districts whenever requested to help achieve compliance with state law and good governance objectives.

Staff recommends that the next status report on compliance be scheduled for the August 2016 hearing for Daggett CSD and Yermo CSD. Newberry CSD has satisfied all of its outstanding requirements; therefore, it will not be included in subsequent status updates. At that time, staff will update the Commission on the results of the Yermo CSD recall as well as the current health of the district (governance, management, finances, and service delivery).

For Yermo CSD, the lack of adherence to state law concerning notifying the ROV and filling the vacancy within the statutory timeframe results in a government not responsive to the representation needs of those within the district.

Should the Commission have any questions, staff will be happy to answer them prior to or at the hearing.

KRM/MT

Attachments:

1. First Status Report - LAFCO Staff Report dated August 12, 2015
2. Staff Report for LAFCO Special Study dated January 13, 2015
3. Government Code, Title 1, Division 4, Chapter 4, Article 2 (Vacancies)

First Status Report – LAFCO Staff Report dated August 12, 2015

Attachment 1

LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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DATE: **AUGUST 12, 2015**

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

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item #7 - Status Report on LAFCO 3176 -- Special Study for Yermo, Daggett and Newberry Community Services Districts**

RECOMMENDATION:

Staff recommends that the Commission:

1. Note receipt of the status report and file.

2. Set the next status report for the February 2016 hearing.

BACKGROUND:

At the January 2015 hearing, the Commission completed the special study of the Daggett, Newberry, and Yermo Community Services Districts. The special study identified numerous areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. These issues were outlined in the original service review in 2009 and continued through the special study. The Commission determined that the districts were not in compliance with the following requirements and directed staff to continue to monitor progress to rectify the problems and update the Commission every six months until all of the items below are satisfied.

STATUS UPDATE:

The identified issues are outlined below in italics followed by LAFCO staff's analysis of the current situation:

All Districts

1. *Adopt and annually review reserve policies pursuant to Community Services District Law Section 61112.*

Newberry CSD has indicated that adoption of reserve policies is scheduled for its August 25 meeting and that it will provide a copy to LAFCO upon approval.

As of the date of this report, Daggett CSD and Yermo CSD have not provided information on this statutory requirement.

2. *Forward a copy of the final budget to the County Auditor pursuant to Community Services District Law Section 61110.*

   Newberry CSD has completed this statutory requirement and has indicated that it will continue to adhere to it.

   Daggett CSD has placed adoption of its FY 2015-16 budget for its August 12, 2015 meeting, and it has indicated that it will provide a copy to LAFCO and the County Auditor following approval. LAFCO staff will provide an update on this statutory requirement at the hearing.

   As of the date of this report, Yermo CSD has not provided information on this statutory requirement.

3. *Adopt an annual appropriations limit by resolution authorizing the expenditure of the proceeds of taxes and review the annual calculation as a part of the annual financial audit, pursuant to Article XIIIB of the State Constitution, which is further acknowledged by Community Services District Law Section 61113.*

   Daggett CSD adopted its annual appropriations limit by resolution at the district's June 26, 2015 hearing (Resolution 2014/15-004). Newberry CSD adopted its annual appropriations limit by resolution at the district's June 23, 2015 hearing (Resolution 70-2015). The districts and its independent auditor are aware of the requirement to review the annual calculation as a part of the annual financial audit.

   As of the date of this report, Yermo CSD has not provided information on this constitutional requirement. It should be noted that LAFCO staff provided background information to the district on March 19, 2015 to assist the district in adopting an appropriations limit.

Newberry CSD

4. *Recommendation #5 from the 2012-13 Grand Jury Report reads for Newberry CSD to: " Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual". The CSD's March 2014 response to the Grand Jury reads, "Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our*

own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future".

Newberry CSD formally approved its accounting procedures at its February 24, 2015 meeting (Item 19).

Daggett CSD

5. *Continue to work with the County to address and formalize a lease arrangement or title transfer for the Daggett Community Center.*

   The Community Center is located on County property and was constructed with HUD funding. Therefore, the concerns about the use of the facility, insurance, maintenance, etc. need to be resolved to eliminate risk and the potential financial obligation to the County.

   A draft contract between the County and the District was reviewed and approved by HUD. The contract is to be signed by Daggett CSD, then submitted to the County Board for final approval (anticipated for September at this time). Pursuant to HUD's direction, the contract will state that the County will record a lien on the property for five years with Daggett CSD continuing maintenance and operation during that term. However, during this time the County will still be exposed to risk. Following the five-year term, the title (and risk) will transfer to Daggett CSD if it meets the conditions of the contract.

6. *Provide LAFCO with a copy of all future water quality information provided to the public, to include water quality control reports, occurrences of contamination, and boil water orders through the initiation of the second cycle North Desert Service Reviews.*

   LAFCO staff confirmed with County Environmental Health Services that there has been no occurrences of contamination or boil water orders since January 2015.

7. *Adopt an annual budget that conforms to generally accepted accounting and budgeting procedures by September 1 of each year at a noticed hearing pursuant to Community Services District Law Section 61110. Failure to comply with this requirement will necessitate further action by the Commission to resolve the issue.*

   The District has placed adoption of its FY 2015-16 budget for its August 12, 2015 meeting. LAFCO staff will provide an update on this statutory requirement at the hearing.

Daggett CSD audits

Originally not included as a monitoring item, Daggett CSD has not yet completed its FY 2012-13 and FY 2013-14 audits. Completion of annual audits are a requirement of Community Services District Law Section 61118, and the timeframe to complete an audit is one year from the end of the fiscal year (Government Code Section 26909).

Completion of audits requires proper bookkeeping, and the determinations from the 2009 service review and 2015 special study identify systemic governance and managerial issues with Daggett CSD. On a positive note, since January 2015, the district has adopted its appropriation limit, is scheduled to adopt its first budget since 1995, and is moving towards resolution of the Community Center ownership.

Nonetheless, Government Code Section 26909 states that unless an audit is made by a district through an independent auditor, the County Auditor shall either make or contract with a certified public accountant to make an annual audit and that any costs incurred for the audit shall be borne by the district. At the next scheduled status report in February 2016, if satisfactory progress to complete the overdue audits is not being made, LAFCO staff will recommend that the Commission request the County Auditor to either make or contract for the audits pursuant to Government Code Section 26909.

Water System Consolidations

As a follow up on SB 88 (water system consolidations), the State Water Resources Control Board (SWRCB) in March 2015 released a listing of water systems for potential consolidation. The March 2015 listing concerns systems that have had at least one violation relating to water quality. Daggett CSD (Chromium 6) is one of two public water systems identified from San Bernardino County (the other system is CSA 70 W-4 in Pioneertown).

Of note, SWRCB has not yet identified water systems located within a disadvantaged community or unable to supply water due to the drought. An updated list to include these categories should be forthcoming.

CONCLUSION:

In concluding this status report on compliance, all three districts have at least one outstanding statutory compliance requirement. LAFCO staff will continue to provide assistance to the districts as requested to help achieve compliance. For Daggett CSD, at the next scheduled status report in February 2016, if satisfactory progress to complete the overdue audits is not being made, LAFCO staff will recommend that the Commission request the County Auditor to either make or contract for the audits pursuant to Government Code Section 26909.

Staff recommends that the next status report on compliance be scheduled for the February 2016 hearing. Should the Commission have any questions, staff will be happy to answer them prior to or at the hearing.

KRM/MT

Staff Report for LAFCO Special Study dated January 13, 2015

Attachment 2

LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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DATE: **JANUARY 13, 2015**

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

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item #8: Special Study for Daggett, Newberry and Yermo Community Services Districts including Plan for Service and Service Review**

RECOMMENDATION:

Staff recommends that the Commission take the following actions related to LAFCO 3176:

1. For environmental review certify that the special study to include a plan for service and service review update are statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five (5) days.

2. Receive and file the special study to include a plan for service and service review update for the Daggett, Newberry, and Yermo Community Services Districts.

3. Make the determinations related to the service review update required by Government Code 56430 as outlined in the special study.

4. Determine that the districts are not in compliance with the following constitutional and statutory requirements and direct LAFCO staff to monitor and update the Commission biannually until all items below are satisfied:

   All Districts

   a) Adopt and annually review reserve policies pursuant to Community Services District Law Section 61112.

   b) Forward a copy of the final budget to the County Auditor pursuant to Community Services District Law Section 61110.

c) Adopt an annual appropriations limit by resolution allowing the expenditure of the proceeds of taxes and review the annual calculation as a part of the annual financial audit, pursuant to Article XIIIB of the State Constitution, which is further acknowledged by Community Services District Law Section 61113.

Daggett CSD

d) Continue to work with the County to address and formalize a lease arrangement and/or title transfer for the Daggett Community Center land and improvement.

e) Provide LAFCO with a copy of all future water quality information provided to the public, to include water quality control reports, occurrences of contamination, and boil water orders.

f) Adopt an annual budget that conforms to generally accepted accounting and budgeting procedures by September 1 of each year pursuant to Community Services District Law Section 61110.

Newberry CSD

g) Recommendation #5 from the 2012-13 Grand Jury Report reads for Newberry CSD to: " Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual". The CSD's March 2014 response to the Grand Jury reads, "Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future".

In its response to the draft staff report, Newberry CSD identified that such an accounting manual would be a one-page item identifying payment policies. Nonetheless, the district notified in writing to the Grand Jury that it would develop an accounting manual. The Commission requests that the district either update the Grand Jury on this matter or provide the Grand Jury and LAFCO with a copy of the accounting manual regardless of size and content, upon approval.

5. Determine that the Commission will not initiate consolidation but that it will continue to monitor the districts for compliance with State Law and County regulations.

BACKGROUND:

The 2012-13 San Bernardino County Grand Jury report investigated the Newberry Community Services District and identified numerous issues and challenges related to governance, accounting and financial management, and internal controls. A single finding from that Grand Jury report related to LAFCO, identified as Recommendation #15, recommending that LAFCO:

> "Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014."

At the September 2013 hearing the Commission initiated a special study for the Newberry CSD and the bordering Daggett and Yermo CSDs based upon the recommendations within the 2012-13 Grand Jury report. The Commission's direction also included the requirement for preparation of a plan for service to address the various government structure options.

COMMISSION WORKSHOP:

At the October 2014 hearing, staff presented the draft staff report in a workshop session for Commission review, input, and direction before conducting a community meeting. At the October hearing, the Commission took no formal action nor did it direct that any changes in the draft report be provided.

A few minor updates have been made to the draft staff report that was presented during the Commission workshop and the community meeting. The updates do not alter the conclusions of the special study and include: staff and board composition and comments on the draft report following the Commission workshop provided by Daggett CSD which have been added as Attachment #5c to the final special study report. The final report is included as Attachment #1 to this report.

COMMUNITY MEETING:

On December 10, staff conducted a community meeting to review the draft special study report with the residents and landowners of the Districts at the Silver Valley High School in Yermo. The registered voters and landowners within the boundaries of the CSDs and the assigned spheres of influence were provided an individual mailed notice of the community meeting. Approximately 150 persons attended the meeting which included community members along with the representatives of the boards of directors and staffs of the districts. A copy of the minutes from the community meeting are included as Attachment #2 to this report. The sentiments from the board members were in opposition to any potential reorganization. A few comments from the general public were voiced which included positions of opposition to or acceptance of the special study report.

SURVEY:

During the community meeting staff outlined its non-scientific survey to gauge the public's views on the report. The survey was accessible via the internet as well as paper (to allow for mail-in survey responses). As of the date of this report, the survey had 67 respondents with 60 indicating that they read the staff report and 55 indicating that they attended the community meeting. The summarized results of the survey are below and a full copy of the survey results are included as Attachment #3 to this report.

When asked for their preference for continuing streetlighting, park and recreation, and fire response and emergency medical services for their respective communities:

- The landowners or registered voters within Yermo and Daggett CSDs responded with:
    - 54% - Retention of Existing Special Districts
    - 30% - Consolidation with the other districts
    - 8% - Formation of a Joint Powers Authority
    - 8% - No preference on the matter

- The landowners or registered voters within Newberry CSD responded with:
    - 90% - Retention of Existing Special Districts
    - 5% - Consolidation with the other districts
    - 5% - San Bernardino County Fire Protection to provide services to Newberry

Therefore, the sentiments voiced at the community meetings and received via the survey generally indicate the desire for retention of the status quo. Important to note, this survey was not a randomized survey and includes responses of all those seeking to provide an opinion.

CONTINUED MONITORING OF THE DISTRICTS BY LAFCO:

The service review update identifies numerous areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. These issues were outlined in the original service review in 2009 LAFCO and continued through the update process. Staff recommends that the Commission determine that the districts are not in compliance with the following requirements and direct staff to continue to monitor progress to rectify the problems and update the Commission every six months until all of the items below are satisfied.

All Districts

1. Adopt and annually review reserve policies pursuant to Community Services District Law Section 61112.

2. Forward a copy of the final budget to the County Auditor pursuant to Community Services District Law Section 61110.

3. Adopt an annual appropriations limit by resolution authorizing the expenditure of the proceeds of taxes and review the annual calculation as a part of the annual financial audit, pursuant to Article XIIIB of the State Constitution, which is further acknowledged by Community Services District Law Section 61113.

   As of the date of this report, LAFCO staff has not received any information from Daggett CSD and Yermo CSD on their intent to adopt the appropriations limit.

Newberry CSD has responded to the draft staff report and has indicated that it will begin work on formulating the appropriations limit in the near future.

Daggett CSD

4. Continue to work with the County to address and formalize a lease arrangement or title transfer for the Daggett Community Center.

   The Community Center is located on County property at 35277 Afton Street in the southern portion of the District. According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the facility to be on County property. The term of the lease is for 30 years with two 10 year options to renew. However, neither the County Department of Community Development and Housing, County Real Estate Services nor Daggett CSD staff could provide a copy of the lease to substantiate the terms of the agreement.

   Included as Attachment #4 to this report is a copy of the recorded grant deed for the parcel and information on the parcel from the County Assessor. Both identify that the parcel is in the name of the County. Further, there is no record with the County Assessor of a transfer of the land or improvements to Daggett CSD or any other party. Therefore, the concerns about the use of the facility, insurance, maintenance, etc. need to be resolved to eliminate the potential financial obligation to the County. LAFCO staff remains available and willing to assist in resolving this issue.

5. Provide LAFCO with a copy of all future water quality information provided to the public, to include water quality control reports, occurrences of contamination, and boil water orders through the initiation of the second cycle North Desert Service Reviews.

6. Adopt an annual budget that conforms to generally accepted accounting and budgeting procedures by September 1 of each year at a noticed hearing pursuant to Community Services District Law Section 61110. Failure to comply with this requirement will necessitate further action by the Commission to resolve the issue.

Newberry CSD

7. Recommendation #5 from the 2012-13 Grand Jury Report reads for Newberry CSD to: " Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual". The CSD's March 2014 response to the Grand Jury reads, "Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future".

In its response to the draft staff report, Newberry CSD identified that such an accounting manual would be a one-page item identifying payment policies. Nonetheless, the district notified in writing to the Grand Jury that it would develop an accounting manual. LAFCO requests that the district either update the Grand Jury on this matter or provide the Grand Jury and LAFCO with a copy of the accounting manual regardless of size and content, upon approval.

CONTINUING EDUCATION FOR SPECIAL DISTRICTS:

During the review of the question of whether or not to conduct the special study, the Commission directed staff to look into providing for education on the responsibilities and requirements for operating an independent special district. As a part of this special study, staff contacted the Special Districts Risk Management Authority (SDRMA) to conduct local training on board governance. The training held in March 2014 provided access to resources that the districts may not have had otherwise and was attended by 50 representatives.

It is the staff's position that the Commission continues to hold this position regarding on-going educational opportunities. Therefore, it is staff's recommendation that the Commission build upon this educational pursuit and continue to provide governance training for the special districts within the County. Staff will be contacting SDRMA and the California Special Districts Association, and others to be determined, for future educational opportunities. As a part of the FY 2015-16 Budget, staff will present the Commission with an outline of the program proposed along with estimated costs.

ENVIRONMENTAL CONSIDERATIONS:

The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated his recommendation that the review of LAFCO 3176 is statutorily exempt from California Environmental Quality Act (CEQA). This recommendation is based on the finding that the special study is not judged to pose any adverse changes to the physical environment. Therefore, the special study is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). A copy of Mr. Dodson's analysis is included as Attachment #5 to this report.

OPTIONS FOR FUTURE ACTION:

The Special Study recommends that at a minimum, Daggett CSD and Yermo CSD consolidate; however, the preferable course would be for Daggett CSD, Newberry CSD, and Yermo CSD to consolidate into a single district to achieve long-term benefits for the residents of these communities. The long-term benefit to the community would be through services which are consistent, allowing flexibility in assigning resources, and streamlining governance and management. The Plan for Service shows that a consolidated district

would be fiscally feasible during the five-year forecast period and beyond, achieving the determination of long term sustainability, at a cost at or below that of the status quo.

The question now is who can and would be willing to initiate an application. The options are:

1. The Districts Initiate an Application to Consolidate

It is unlikely that the districts will initiate a consolidation application given their publicly-stated positions. However, should the districts initiate an application to consolidate through adoption of substantially similar resolutions, the Commission would be required to approve the consolidation and could only tinker with the conditions of approval. Per Commission policy, the fees would be reduced should there be a public benefit for the proposal. Further, the proposal would go through the standard protest process:

- Order consolidation without election unless 25% of registered voters or 25% of number of landowners who own at least 25% of the assessed value of the land or more protest
- Order consolidation subject to an election if 25% or more protest
  - within entire territory, or
  - within any district if any district objects by resolution
- Terminate proceedings if 50% or more of the registered voters protest

This would be the smoothest, yet least likely route.

2. Commission Options

There are a number options for Commission action to effectuate the changes anticipated in the Plan for Service. They are:

a. The Commission has the power to initiate consolidation

Historically this commission has been reluctant to move forward to initiate a consolidation, opting instead to try to entice districts or communities to resolve the issues. The written comments provided by Newberry CSD and Daggett CSD for this special study as well as the comments provided by members of the boards of directors at the community meeting identify retention of the status quo as the sole acceptable governance option. Therefore, initiation by the Commission to consolidate would bypass the boards and place the matter for final approval by the registered voters.

Nonetheless, a proposal initiated by the Commission (consistent with the recommendations or conclusions of the special study) and subsequently approved by the Commission would change the protest process as follows:

(1) If any of the districts objected to the Commission initiated change (filed by resolution), it would change the protest process from the entirety of the reorganization area (standard) to the individual districts. This is significant in that if only one of the districts objected, the election held in that agency would determine the fate of the overall reorganization.

(2) Pursuant to Section 57113, 10% protest from landowners within any affected agency would require an election. 10% protest of the voters within the area (or district which objected to the proposal) would require an election. If any of the districts had less than 300 voters it would require 25% protest. A 10% protest in Yermo (800 registered voters) or Newberry (930 registered voters) and 25% for Daggett (200 registered voters) would require an election. Given the position of the districts, this would be anticipated.

Therefore, this option has the least chance of success.

b. The Commission can request an affected agency to initiate reorganization

The Commission could request that an affected agency initiate consolidation by submitting an application to LAFCO. The affected agencies are the County of San Bernardino, Mojave Desert Resource Conservation District, Mojave Water Agency, San Bernardino County Fire Protection District, San Bernardino County Flood Control District, County Service Area 40, and County Service Area 70. It would seem that the only agency that would support the possibility of initiating an application to consolidate the districts would be the County through one of its board-governed districts.

Should the County express an interest in an alternative form of governance (i.e. consolidation with or annexation to the San Bernardino County Fire Protection District with removal of the districts' fire protection powers), it would need to initiate by resolution an application along with the required fees and deposits. However, the liability for the proposal is then placed upon this agency.

c. The Commission can forgo action at this time and continue to monitor the districts

As a third option, the Commission can take a wait and see approach - not take any action at this time to initiate consolidation or request any affected agency to initiate consolidation. Since the issuance of the Grand Jury report, Newberry CSD has rectified many of the deficiencies identified and is the only agency that notified LAFCO that it will begin work to formulate and adopt an appropriations limit. It is hoped that a move towards compliance with the State Constitution and State Law can occur for Daggett CSD and Yermo CSD. Therefore, it is the staff's position that an additional time period to evaluate compliance with the State Constitution and State Law be given.

As noted above, staff recommends that the Commission not take any action at this time to initiate consolidation or request any affected agency to initiate consolidation. However, staff recommends that the Commission direct it to continue to monitor the districts for compliance with the California Constitution and State Law with biannual reports on the progress of satisfying the deficiencies presented. During this period, at any time the Commission can initiate consolidation or request an affected agency to initiate consolidation. This route of action is similar to that of the Rim World Recreation and Park District – where the Commission placed conditions upon the district and signaled its intent to move towards dissolution if the district did not rectify its major deficiencies.

ADDITIONAL DETERMINATIONS:

1. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation within the area, the *Desert Dispatch*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.

2. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.

CONCLUSION:

The Plan for Service discusses structure options for the community to consider that could potentially achieve a consistent level of service and economies of scale. Given the objectives and analysis for the Plan for Service, LAFCO staff's position is that, at a minimum, Daggett CSD and Yermo CSD consolidate to achieve these results; however, the preferable course would be for Daggett CSD, Newberry CSD, and Yermo CSD to consolidate into a single district. The long-term benefit to the community would be through services which are consistent, allows for flexibility in assigning resources, and streamlines governance and management. The Plan for Service shows that a consolidated district would be fiscally feasible during the five-year forecast period and beyond, would be sustainable at a cost at or below that of the status quo. Even given all this information, the position of the residents and board members which have conveyed their opinions to LAFCO staff is to retain the status quo.

Therefore, it is staff's recommendation that the Commission not take any action at this time to initiate consolidation or request any affected agency to initiate consolidation. However, based upon the issues identified in the original and updated Service Review, staff recommends that the Commission continue to monitor the districts for compliance with the California Constitution and State Law and direct staff to return with biannual reports on the progress of satisfying the deficiencies. However, it is noted that should any of the issues worsen, the Commission may initiate consolidation at any time or request an affected agency to do so.

KRM/MT

Attachments:

1. Special Study – Final Plan for Service and Service Review to include Attachments
2. Minutes of the December 10, 2014 Community Meeting
3. Results from Survey
4. Recorded Grant Deed and Information from County Assessor related to Daggett Community Center Parcel
5. Environmental Recommendation from Tom Dodson

Government Code, Title 1, Division 4, Article 8 (Vacancies)

Attachment 3

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GOVERNMENT CODE - GOV

TITLE 1. GENERAL [100 - 7914] *(Title 1 enacted by Stats. 1943, Ch. 134.)*

DIVISION 4. PUBLIC OFFICERS AND EMPLOYEES [1000 - 3599] *(Division 4 enacted by Stats. 1943, Ch. 134.)*

CHAPTER 4. Resignations and Vacancies [1750 - 1782] *(Chapter 4 enacted by Stats. 1943, Ch. 134.)*

ARTICLE 2. Vacancies [1770 - 1782] *(Article 2 added by Stats. 1943, Ch. 134.)*

1770. An office becomes vacant on the happening of any of the following events before the expiration of the term:

(a) The death of the incumbent.

(b) An adjudication pursuant to a quo warranto proceeding declaring that the incumbent is physically or mentally incapacitated due to disease, illness, or accident, and that there is reasonable cause to believe that the incumbent will not be able to perform the duties of his or her office for the remainder of his or her term. This subdivision shall not apply to offices created by the California Constitution nor to federal or state legislators.

(c) (1) His or her resignation, except as provided in paragraph (2).

(2) In the case of the office of city council member, upon the delivery of a letter of resignation by the resigning council member to the city clerk. The letter of resignation may specify a date on which the resignation will become effective.

(d) His or her removal from office.

(e) His or her ceasing to be an inhabitant of the state, or if the office be local and one for which local residence is required by law, of the district, county, or city for which the officer was chosen or appointed, or within which the duties of his or her office are required to be discharged.

(f) His or her absence from the state without the permission required by law beyond the period allowed by law.

(g) His or her ceasing to discharge the duties of his or her office for the period of three consecutive months, except when prevented by sickness, or when absent from the state with the permission required by law.

(h) His or her conviction of a felony or of any offense involving a violation of his or her official duties. An officer shall be deemed to have been convicted under this subdivision when trial court judgment is entered. For purposes of this subdivision, “trial court judgment” means a judgment by the trial court either sentencing the officer or otherwise upholding and implementing the plea, verdict, or finding.

(i) His or her refusal or neglect to file his or her required oath or bond within the time prescribed.

(j) The decision of a competent tribunal declaring void his or her election or appointment.

(k) The making of an order vacating his or her office or declaring the office vacant when the officer fails to furnish an additional or supplemental bond.

(l) His or her commitment to a hospital or sanitarium by a court of competent jurisdiction as a drug addict, dipsomaniac, inebriate, or stimulant addict; but in that event the office shall not be deemed vacant until the order of commitment has become final.

(m) (1) The incumbent is listed in the Excluded Parties List System and all of the following subparagraphs apply:

(A) The office is one that the incumbent holds ex officio, by virtue of holding another office, or as an appointee.

(B) The appointed or ex officio office is on the governing board of a local agency that is, or may reasonably be expected to be, a participant or principal in a covered transaction, pursuant to federal law.

(C) A federal agency head or designee has not granted the incumbent an exception, in writing, permitting the incumbent to participate in a particular covered transaction in which the local agency is, or may reasonably be expected to be, a participant or principal.

(2) For purposes of this subdivision, the following terms have the following meanings:

(A) "Excluded Parties List System" means the list maintained and disseminated by the federal General Services Administration containing names of, and other information about, persons who are debarred, suspended, disqualified, or otherwise excluded from participating in a covered transaction, pursuant to federal law.

(B) "Local agency" includes, but is not limited to, a county, whether general law or chartered, city, whether general law or chartered, city and county, school district, municipal corporation, district, political subdivision, or any board, commission, or agency of one of these entities.

(C) "Federal law" includes, but is not limited to, federal regulations adopted pursuant to Section 2455 of Public Law 103-355 (108 Stat. 3327), Executive Order No. 11738, Executive Order No. 12549, and Executive Order No. 12689.

(3) This subdivision shall not apply to an elective office.

(Amended by Stats. 2014, Ch. 725, Sec. 1. Effective January 1, 2015.)

1770.1. The disqualification from holding office upon conviction, as provided in Section 1021, or the forfeiture of office upon conviction, as provided in subdivision (h) of Section 1770 and Section 3000, is neither stayed by the initiation of an appeal from the conviction, nor set aside by the successful prosecuting of an appeal from the conviction by the person suffering the conviction.

(Added by Stats. 1988, Ch. 283, Sec. 2.)

1770.2. Upon the entry of a plea of guilty, the entry of a plea of nolo contendere, or the rendering of a verdict of a guilty either by a jury or by the court sitting without a jury of a public offense, the conviction of which would invoke the provisions of Section 1021, subdivision (h) of Section 1770, or Section 3000, the person found guilty shall not assume the office for which the person is otherwise qualified or shall be suspended immediately from the office the person then holds. During the time of inability to assume an office or of suspension from office, the person shall not be entitled to receive the emoluments of the office, including, but not limited to, the exercise of the powers of the office, the rights to be seated in the office, and the compensation, including benefits, prescribed for the office.

In the event the trial court sets aside or otherwise nullifies the plea or verdict before the trial court judgment is entered, the inability to assume office or the suspension from holding office shall be lifted, and the person suspended from office shall be restored to office with its emoluments, including those that would have otherwise accrued during the suspension, excluding, however, interest on any monetary payment.

(Added by Stats. 1988, Ch. 283, Sec. 3.)

1771. (a) When an officer is removed, declared insane, or convicted of a felony or offense involving a violation of his or her official duty, or when his or her election or appointment is declared void, the body or person before whom the proceedings are had shall give notice thereof to the officer or body empowered to fill the vacancy.

(b) When an office becomes vacant pursuant to subdivision (m) of Section 1770, the local agency on which the vacancy occurs shall give notice of that vacancy to the officer or body authorized to fill the vacancy.

(Amended by Stats. 2011, Ch. 543, Sec. 3. Effective January 1, 2012.)

1772. When any office becomes vacant and no mode is provided by law for filling the vacancy, the Governor shall fill the vacancy by granting a commission, to expire at the end of the next session of the Legislature or at the next election by the people.

(Enacted by Stats. 1943, Ch. 134.)

1773. When a vacancy occurs in the office of Representative to Congress, or in either house of the Legislature, the Governor shall within 14 calendar days after the occurrence of the vacancy issue a writ of election to fill the vacancy; provided, that when such vacancy occurs in a congressional office after the close of the nomination period in the final year of the term of office, a special election may be held, at the Governor's discretion; and provided, further, that when a vacancy occurs in a legislative office after the close of the nomination period in the final year of the term of office, no special election shall be held.

The Governor shall issue the election proclamation under his hand and the Great Seal of the state, and transmit copies to the board of supervisors of the counties in which the election is to be held.

(Amended by Stats. 1976, Ch. 1155.)

1773.5. In addition to any other applicable provision of law, a vacancy occurs in the office of Representative in Congress in the event of his or her disappearance, as defined in subdivision (c) of Section 10731 of the Elections Code.

(Added by Stats. 2002, Ch. 658, Sec. 5. Effective January 1, 2003.)

1774. (a) When an office, the appointment to which is vested in the Governor and Senate, either becomes vacant or the term of the incumbent thereof expires, the Governor may appoint a person to the office or reappoint the incumbent after the expiration of the term. Until Senate confirmation of the person appointed or reappointed, that person serves at the pleasure of the Governor. If the term of office of an incumbent subject to this section expires, the Governor shall have 60 days after the expiration date to reappoint the incumbent. If the incumbent is not reappointed within the 60-day period, the office shall be deemed to be vacant as of the first day following the end of the 60-day period.

(b) With respect to the appointment or reappointment by the Governor of a person to an office subject to confirmation by the Senate, the Governor shall submit the name of the person appointed, or the name of the incumbent reappointed, and the effective date of the appointment or reappointment to the Senate or, if the Senate is in recess or has adjourned, to the Secretary of the Senate, within 60 days after the person first began performing the duties of the office, or, as to the reappointment of an incumbent, within 90 days after the expiration date of the term. If the Governor does not provide the required notification within 60 days after the person first began performing the duties of the office, or, as to the reappointment of an incumbent to an office after the expiration date of the term, within 90 days after the expiration of the term, the office shall be deemed to be vacant as of the first day immediately following the end of the applicable period.

(c) If the Senate either refuses to confirm, or fails to confirm within 365 days after the day the person first began performing the duties of the office, or, with respect to an incumbent whose appointment to that office previously had been confirmed by the Senate and who is reappointed to that office, within 365 days after the expiration date of the term, the following shall apply:

(1) If the Senate refuses to confirm, the person may continue to serve in that office until 60 days have elapsed since the refusal to confirm or until 365 days have elapsed since the person first began performing the duties of the office, whichever occurs first, or with respect to an incumbent whose appointment to that office previously had been confirmed by the Senate and who is reappointed to that office, until 60 days have elapsed since refusal or until 365 days after the expiration date of the prior term, and the office for which the appointment was made shall be deemed to be vacant as of the first day immediately following the end of the applicable period.

(2) If the Senate fails to confirm within the applicable 365-day period, the person may not continue to serve in that office, and the office for which the appointment was made shall be deemed to be vacant as of the first day immediately following the end of the 365-day period.

(Amended by Stats. 1982, Ch. 801, Sec. 1.)

1774.1. Notwithstanding any other provision of law, whenever the appointment by the Governor of a person to a public office is subject to confirmation by the Senate, and the Senate confirms the appointment within the applicable period described in Section 1774, and the term of office is at the pleasure of the Governor, such confirmation shall be deemed the last act necessary for appointment and the Governor shall not be required to issue another commission to complete the act of appointment.

(Added by Stats. 1978, Ch. 195.)

1774.2. (a) For any person whose term of office expires prior to Senate confirmation and who is reappointed to that office, the time served prior to, as well as subsequent to, the expiration date of the prior term shall be counted for purposes of Section 1774.

(b) For any person who resigns an office prior to Senate confirmation and who is reappointed to that office at any time within 365 days of the resignation, the time served prior to, as well as subsequent to, the resignation shall be counted for purposes of Section 1774.

(c) The subsequent appointment of a person to an office 365 days or more after the date the person last served in that office shall be considered a new appointment, and not a reappointment, for purposes of Section 1774.

(Added by Stats. 1982, Ch. 801, Sec. 2.)

1774.3. With respect to any body or entity having more than one member, including, but not limited to, a board, commission, or committee, "office" includes every position on the body or entity, regardless of qualifications, expiration date of the term, or duties and responsibilities of the position.

(Added by Stats. 1982, Ch. 801, Sec. 3.)

1774.5. Notwithstanding any other provisions of law, no person holding an office which is deemed to be vacant pursuant to Section 1774 may, after the time the office has been deemed to be vacant pursuant to those provisions, continue to discharge the duties of the office, and no warrant shall be drawn by the Controller for the payment of any salary or expenses of that person attributable to the discharge of the duties of the office after that time. In addition, the Governor shall not reappoint the person to the same office for a period of 365 days after the time the office has been deemed to be vacant.

(Amended by Stats. 1982, Ch. 801, Sec. 4.)

1774.7. (a) Sections 1774, 1774.2, 1774.3, and 1774.5 shall apply to any person appointed, or reappointed, prior to, or on or after, January 1, 1981, except as follows:

(1) With respect to any person appointed prior to January 1, 1981, the 365-day period specified in Section 1774 shall not commence to run until January 1, 1981.

(2) With respect to the term of office of an incumbent which expires during the period from the first Monday after January 1 of the year a newly elected Governor takes office for the first time, until January 31 of that year, inclusive, the 60-day period specified in subdivision (a) of Section 1774 and the 90-day period specified in subdivision (b) of Section 1774 shall not commence to run until February 1 of that year.

(b) It is the intent of the Legislature that Sections 1774, 1774.2, 1774.3, and 1774.5 shall prevail over any contrary special or general provision of this code, any other code, or any uncodified statute of this state. These sections shall be construed as superseded by another statute only if that statute specifically provides that these sections shall not apply and expressly refers to the numbers of the sections superseded.

(Amended by Stats. 1986, Ch. 477, Sec. 1.)

1775. Whenever there is a vacancy in the office of the Superintendent of Public Instruction, the Lieutenant Governor, Secretary of State, Controller, Treasurer, or Attorney General, or on the State Board of Equalization, the Governor shall nominate a person to fill the vacancy who shall take office upon confirmation by a majority of the membership of the Senate and a majority of the membership of the Assembly and who

shall hold office for the balance of the unexpired term. In the event the nominee is neither confirmed nor refused confirmation by both the Senate and the Assembly within 90 days of the submission of the nomination, the nominee shall take office as if he or she had been confirmed by a majority of the Senate and Assembly; provided, that if such 90-day period ends during a recess of the Legislature, the period shall be extended until the sixth day following the day on which the Legislature reconvenes.

After a vacancy has occurred in an office specified in this section and prior to the time such vacancy is filled as provided in this section, the chief deputy to the above constitutional officers shall discharge the duties of the office.

(Amended by Stats. 1977, Ch. 96.)

1776. Except as otherwise provided in the Constitution, when a person is appointed by the Governor, or by the Governor by and with the advice and consent of the Senate, either to fill a vacancy in any office or to fill an office when the appointment is not made until after the expiration of the preceding term, the appointee holds office only for the balance of the unexpired term as provided by the law creating the office.

(Enacted by Stats. 1943, Ch. 134.)

1777. After filing his official oath and bond, any person elected or appointed to fill a vacancy possesses all the rights and powers and is subject to all the liabilities, duties, and obligations of the officer whose vacancy he fills.

(Enacted by Stats. 1943, Ch. 134.)

1778. A vacancy in any appointive office on the governing board of a special district shall be filled by appointment by the board of supervisors of the county in which the larger portion of the district is located unless, by the terms of the act under which the district is formed, another method of appointment is expressly provided.

(Amended by Stats. 1974, Ch. 1271.)

1779. A vacancy on any appointed governing board of a special district shall be filled by the appointing authority within 90 days immediately subsequent to its occurrence. If no action is taken for a period of 90 days immediately subsequent to a vacancy on such a board, the board of supervisors of the county in which the larger portion of the district is located shall have authority to fill the vacancy by appointment.

(Amended by Stats. 1973, Ch. 934.)

1780. (a) Notwithstanding any other provision of law, a vacancy in any elective office on the governing board of a special district, other than those specified in Section 1781, shall be filled pursuant to this section.

(b) The district shall notify the county elections official of the vacancy no later than 15 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later.

(c) The remaining members of the district board may fill the vacancy either by appointment pursuant to subdivision (d) or by calling an election pursuant to subdivision (e).

(d) (1) The remaining members of the district board shall make the appointment pursuant to this subdivision within 60 days after either the date on which the district board is notified of the vacancy or the effective date of the vacancy, whichever is later. The district shall post a notice of the vacancy in three or more conspicuous places in the district at least 15 days before the district board makes the appointment. The district shall notify the county elections official of the appointment no later than 15 days after the appointment.

(2) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.

(3) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general

district election, or if the vacancy occurs in the second half of a term of office, the person appointed to fill the vacancy shall fill the balance of the unexpired term of office.

(e) (1) In lieu of making an appointment the remaining members of the board may within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.

(f) (1) If the vacancy is not filled by the district board by appointment, or if the district board has not called for an election within 60 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, then the city council of the city in which the district is wholly located, or if the district is not wholly located within a city, the board of supervisors of the county representing the larger portion of the district area in which the election to fill the vacancy will be held, may appoint a person to fill the vacancy within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, or the city council or board of supervisors may order the district to call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the city council or board of supervisors calls the election.

(g) (1) If within 90 days of the date the district board is notified of the vacancy or the effective date of the vacancy, whichever is later, the remaining members of the district board or the appropriate board of supervisors or city council have not filled the vacancy and no election has been called for, then the district board shall call an election to fill the vacancy.

(2) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is 130 or more days after the date the district board calls the election.

(h) (1) Notwithstanding any other provision of this section, if the number of remaining members of the district board falls below a quorum, then at the request of the district secretary or a remaining member of the district board, the appropriate board of supervisors or the city council shall promptly appoint a person to fill the vacancy, or may call an election to fill the vacancy.

(2) The board of supervisors or the city council shall only fill enough vacancies by appointment or by election to provide the district board with a quorum.

(3) If the vacancy occurs in the first half of a term of office and at least 130 days prior to the next general district election, the person appointed to fill the vacancy shall hold the office until the next general district election that is scheduled 130 or more days after the date the district board is notified of the vacancy, and thereafter until the person who is elected at that election to fill the vacancy has been qualified. The person elected to fill the vacancy shall hold office for the unexpired balance of the term of office.

(4) If the vacancy occurs in the first half of a term of office, but less than 130 days prior to the next general district election, or if the vacancy occurs in the second half of a term of office, the person appointed to fill the vacancy shall fill the balance of the unexpired term of office.

(5) The election called pursuant to this subdivision shall be held on the next established election date provided in Chapter 1 (commencing with Section 1000) of Division 1 of the Elections Code that is held 130 or more days after the date the city council or board of supervisors calls the election.

(Amended by Stats. 2007, Ch. 343, Sec. 4. Effective January 1, 2008.)

1781. The provisions of Section 1780 shall not apply to a school district, a district organized pursuant to Division 6 (commencing with Section 11501) of the Public Utilities Code, or a district subject to the provisions of Chapter 5 (commencing with Section 22825) of Part 5 of Division 11 of the Water Code.

(Added by Stats. 1975, Ch. 1059.)

1782.

Notwithstanding any other provision of the law, whenever a vacancy occurs on a state board or commission, or a seat on a board or commission is abolished by statute, the board or commission shall notify the appropriate appointing authority of this occurrence and the appropriate appointing authority shall notify the person occupying the vacated or abolished seat that the person may no longer serve on the board or commission. Except as provided in Section 1774, the person occupying the vacated or abolished seat on the board or commission shall continue to serve until notified by the appropriate appointing authority.

(Added by Stats. 1981, Ch. 438, Sec. 1.)

hidden

LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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DATE: **FEBRUARY 10, 2016**

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

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item #10: Status LAFCO 3189 - Special Study of the Morongo Valley Community Services District**

RECOMMENDATION:

Staff recommends that the Commission:

1. Note receipt of the status report and file.

2. Set the next status report for the August 2016 hearing.

BACKGROUND:

At the July 2015 hearing, the Commission completed the special study of the Morongo Valley Community Services District ("District"). The special study was conducted at the request of a district board member due to financial and governing concerns and was narrow in focus – determining the financial sustainability of the district to perform its authorized range of services, most specifically fire protection and emergency response.

This is the first scheduled status update for the District related to the special study findings and determinations. Unfortunately, LAFCO's monitoring of the District now includes reviewing its immediate sustainability.

At the conclusion of the special study, the District took painful and significant measures and received additional State reimbursement revenue to barely break-even for FY 2014-15. As a part of the special study LAFCO staff provided a forecast for the next five fiscal years (through 2020-21). The forecast did not show even nominal annual revenue gains – basically a break-even scenario. The forecast assumes that funding, equipment, and personnel remain equal and constant. Any deviation would force the razor-thin surplus to evaporate.

Specifically, LAFCO identified four variables which could result in budget challenges for the district, ranging from severe to moderate.

1. Replacement of Current Fire Truck. The district fire truck is a 2001 model with roughly 100,000 miles, and the backup is a 1992 truck. A complete replacement would cost roughly $500,000.

2. Wild land Fire Truck is Recalled. Should the federal program cease, the recall of the brush engine would remove a revenue source as well as remove a backup fire truck.

3. Replacement of Current General Manager. The current general manager has over the past two years voluntarily decreased her salary by roughly $15,000 in order to balance the budgets. Should the need arise to fill the position, returning the salary to the previous figure may be necessary to recruit a general manager with the skill level required of the position.

4. Any other Major Expense. There is little to no room for any other major expense such as a new roof or replacement of the fire admin vehicle. Due to the age of the facilities it is a matter of when, not if, major expenses will occur.

In the conclusion to the report, LAFCO staff stated, "Should the district desire to increase the levels of its current services or expand the range of services, additional revenue sources would need to be obtained."

As a result of the special study, the Commission directed the staff to:

- Continue to monitor the district's financial position and sustainability by requesting the district to provide LAFCO with its adopted annual budget, mid-year financial report, and financial statements for the next three years, and

- Monitor and update the Commission biannually for the next three years regarding the district's financial position and sustainability.

The following provides a narrative discussion of LAFCO staff's ongoing monitoring of the District.

FY 2014-15 Audit and Fiscal Indicators

District staff provided LAFCO with its FY 2014-15 year-end estimates for the July special study. Through the special study, the Commission is aware of the financial status of the District up to that point. The following provides a review of the District's financial position from its audited financial statements moving forward.

Fund Balance

The District's fund balance has decreased for the past three years – by a total of 42.4%. However, the most recent fiscal year experienced a lesser decrease – of 1.6%. As identified in the July 2015 special study, the District experienced a back-log of maintenance,

insurance and employment claims, and was required to use unbudgeted monies to rectify the proper closing of grants and OSHA issues. During 2014-15, the District implemented measures to cut expenditures which tempered the annual decrease in fund balance.

FUND BALANCE					
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Fund Balance:					
Non spendable	66,270	65,902	1,758	1,669	2,400
Restricted	12,490	15,142	11,348	13,569	26,930
Unassigned (Unreserved)	463,684	484,303	456,463	341,941	322,177
Total Fund Balances	$ 542,444	$ 565,347	$ 469,569	$ 357,179	$ 351,507
Revenues:					
Property tax	383,400	366,739	365,836	363,061	373,931
Fire assessment	280,605	286,528	292,076	313,913	300,825
Grant income	186,044	31,971	13,951	11,516	18,184
Fire service	4,992	1,542	9,222	25,482	113,284
Park revenue	4,992	3,332	4,279	9,398	7,113
Other	3,463	22,289	8,993	15,293	10,819
Total Revenues	$ 863,496	$ 712,401	$ 694,357	$ 738,663	$ 824,156
Expenditures:					
General government	86,016				
Fire operations	504,787	605,710	657,767	734,367	742,443
Park & recreation	247,417	79,714	77,435	106,084	76,781
Streetlights	4,116	4,074	5,645	4,786	4,788
Debt service	24,627	-	1,452	5,816	5,816
Total Expenditures	$ 866,963	$ 689,498	$ 742,299	$ 851,053	$ 829,828
Revenues less Expenditures:	**$ (3,467)**	**$ 22,903**	**$ (47,942)**	**$ (112,390)**	**$ (5,672)**
Fund Balances, Beginning	545,911	542,444	517,511	$ 469,569	$ 357,179
Fund Balances, Ending	$ 542,444	$ 565,347	$ 469,569	$ 357,179	$ 351,507
Increase from prior year	-0.6%	4.2%	-16.9%	-23.9%	-1.6%
Sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance					
*Notes: (1) FY 2012-13 Fund Balance had adjustment to Beginning Balance of $47,836					

Focusing on the past three audited years, the breakdown of Revenues and Expenditures by activity (fire protection and emergency response, park and recreation, and streetlights) clearly identifies that the district's fire protection and emergency response function operates in the red. While this was known during the special study, the most recent audit solidifies this circumstance, as shown below.

FY 2012-13	Fire	Park & Rec	Streetlights	Total
Revenues:				
Property tax	325,437	34,754	5,645	365,836
Fire assessment	292,076	-	-	292,076
Other	24,745	11,700	-	36,445
Total Revenues	$ 642,258	$ 46,454	$ 5,645	$ 694,357
Expenditures:				
Salaries & wages	412,277	27,235	840	440,352
Benefits	57,448	10,775	-	68,223
Operations expense	188,040	39,425	4,805	232,270
Debt service	1,454	-	-	1,454
Total Expenditures	$ 659,219	$ 77,435	$ 5,645	$ 742,299
Revenues less Expenditures	**$ (16,961)**	**$ (30,981)**	**$ -**	**$ (47,942)**

FY 2013-14	Fire	Park & Rec	Streetlights	Total
Revenues:				
Property tax	266,673	91,602	4,786	363,061
Fire assessment	313,913	-	-	313,913
Other	47,207	14,482	-	61,689
Total Revenues	$ 627,793	$ 106,084	$ 4,786	$ 738,663
Expenditures:				
Salaries & wages	441,253	35,268	364	476,885
Benefits	73,745	10,325	64	84,134
Operations expense	219,369	60,491	4,358	284,218
Debt service	5,816	-	-	5,816
Total Expenditures	$ 740,183	$ 106,084	$ 4,786	$ 851,053
Revenues less Expenditures	**$ (112,390)**	**$ -**	**$ -**	**$ (112,390)**

FY 2014-15	Fire	Park & Rec	Streetlights	Total
Revenues:				
Property tax	291,801	77,286	4,844	373,931
Fire assessment	300,825	-	-	300,825
Other	138,273	11,127	-	149,400
Total Revenues	$ 730,899	$ 88,413	$ 4,844	$ 824,156
Expenditures:				
Salaries & wages	472,925	35,549	272	508,746
Benefits	74,047	6,060	33	80,140
Operations expense	195,471	35,172	4,483	235,126
Debt service	5,816	-	-	5,816
Total Expenditures	$ 748,259	$ 76,781	$ 4,788	$ 829,828
Revenues less Expenditures	**$ (17,360)**	**$ 11,632**	**$ 56**	**$ (5,672)**

Assessed Value, Property Tax, and Assessments

The special study identified how assessed value of the District had declined for five consecutive years which led to a corresponding decline in property tax revenues received. On a positive note, the assessed value has increased for two consecutive years. However, the fire assessment is not tied to assessed value; yet conversely enjoyed annual gains until 2014-15, which interestingly experienced a decrease.

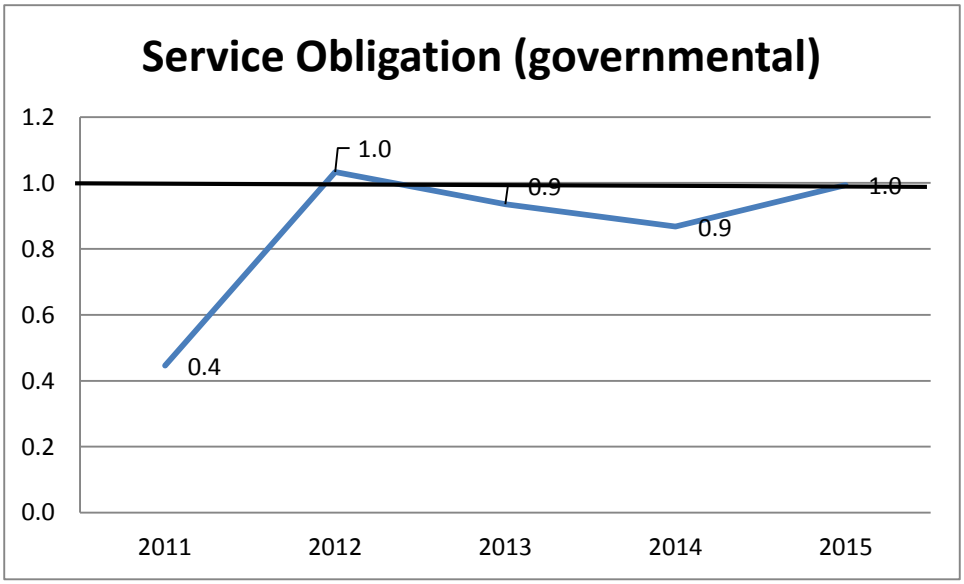
Year	Assessed Value		Tax Received		Assessment Received	
	Valuation	% change	Total Tax	% change	Total	% change
2007-08	$ 219,980,152	16.8%	$ 438,520	15.2%	$ 214,573	7.4%
2008-09	$ 226,288,922	2.9%	$ 439,874	0.3%	$ 263,798	22.9%
2009-10	$ 211,888,756	-6.4%	$ 420,263	-4.5%	$ 269,762	2.3%
2010-11	$ 194,095,885	-8.4%	$ 383,400	-8.8%	$ 280,605	4.0%
2011-12	$ 186,380,022	-4.0%	$ 366,739	-4.3%	$ 286,528	2.1%
2012-13	$ 184,029,593	-1.3%	$ 365,836	-0.2%	$ 292,076	1.9%
2013-14	$ 179,691,565	-2.4%	$ 363,061	-0.8%	$ 313,913	7.5%
2014-15	$ 188,970,893	5.2%	$ 373,931	3.0%	$ 300,825	-4.2%
2015-16	$ 201,126,374	6.4%				
sources:						
County of San Bernardino, Agency Net Valuations						
Morongo Valley CSD audits						

Fiscal Indicators

Currently, LAFCO's Fiscal Indicators program includes audited data through FY 2013-14. LAFCO staff has added FY 2014-2015 to the District's Service Obligation and Liquidity indicators.

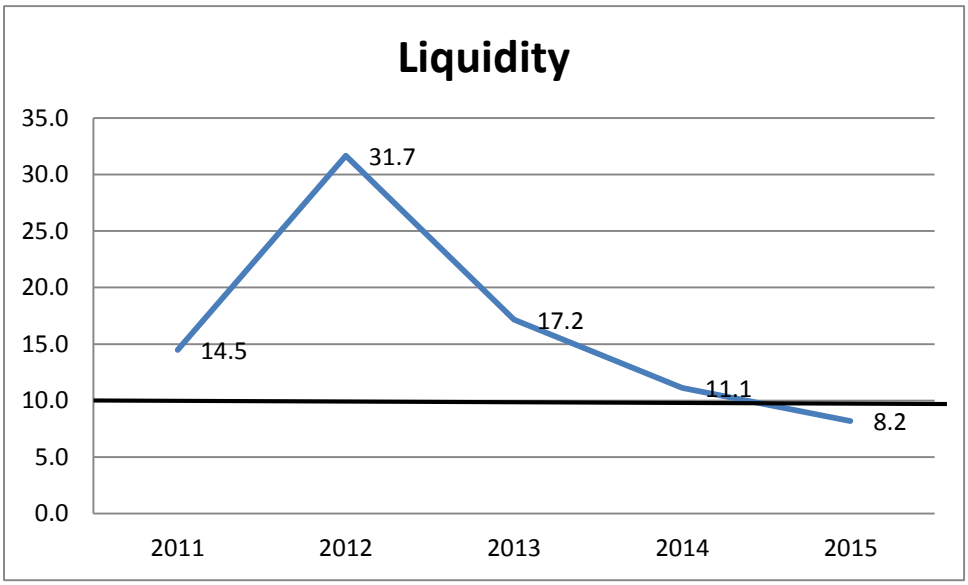
Service Obligation

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 is annual revenues. On the whole, the District is at or just below the break-even level.



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. As shown, Liquidity is slipping into territory where satisfying short-term obligations becomes a challenge.



2015-16 MID-YEAR

At first glance, the mid-year financial chart (shown below) does not reveal major concerns since revenues exceed expenditures. However, the narrative provided by the District for the second half of the year reveals major concerns for the District and LAFCO staff.

For the park and recreation services, the chart below identifies that 75% of expenditure authority has been incurred to date (roughly $8,000 above the mid-year benchmark). The District's documents identify roughly $2,500 in plumbing costs at the park. Additionally, the lease agreement with the County in October 2015 for continued use of Mojave Park (located on the Big Morongo Canyon Preserve Area) resulted in an unbudgeted expense of $2,077.

As for fire, the medic engine incurred an unbudgeted expense – a repair to its engine of roughly $25,000.

MORONGO VALLEY CSD	2013-14 Actual	2014-15 Actual	2015-16 Adopted Budget	2015-16 Thru Mid-Year	2015-16 Percent Mid-Year
Revenues:					
Property tax	363,061	373,931	369,483	182,732	49%
Fire assessment	313,913	300,825	302,932	150,497	50%
Grant income	11,517	18,184	10,000	119	1%
Fire service					
Cost Recovery	1,818	4,003	4,000	1,768	44%
OES Reimbursement	22,270	94,769	22,000	126,829	576%
Fire Inspections	1,394	2,494	2,400	408	17%
Donations	9,792	4,161	-	2,273	
Other	-	18,676	-	66	
Total Fire Service	35,274	124,103	28,400	131,344	462%
Park revenue	9,398	5,703	5,000	3,114	62%
Other	5,500	1,410	3,334	5,942	178%
Total Revenues	**$ 738,663**	**$ 824,156**	**$ 719,149**	**$ 473,748**	**66%**
Expenditures:					
General government	189,608	148,133	117,175	63,238	54%
Fire operations					
Operating Supplies	15,812	12,359	11,650	5,313	46%
Training & Safety	35,592	19,686	17,000	4,338	26%
Administration	41,001	29,837	28,650	17,031	59%
Apparatus	64,253	73,167	57,350	54,993	96%
Compensation	448,410	500,459	446,458	297,507	67%
Total Fire Operations	605,068	635,508	561,108	379,182	68%
Park & recreation	46,520	36,205	31,050	23,439	75%
Streetlights	4,039	4,166	4,000	2,075	52%
Debt service	5,818	5,816	5,816	2,908	50%
Total Expenditures	**$ 851,053**	**$ 829,828**	**$ 719,149**	**$ 470,842**	**65%**
Revenues less Expenditures:	**$ (112,390)**	**$ (5,672)**	**$ -**	**$ 2,906**	
Fund Balances, Beginning	469,569	357,179	351,507	-	
Fund Balances, Ending	$ 357,179	$ 351,507	$ 351,507	$ 2,906	
Change from prior year	-23.9%	-1.6%			

However, additional mid-year materials included by the District identify that payroll for fire personnel has dramatically increased during the past months. According to District staff, while the Chief was on medical leave his salary was partially paid by Workers' Compensation, which reduced the amount that the District paid to its highest earner. However, this reduction in staffing has created the unintended consequence of more overtime, which in the end is resulting in higher payroll.

The figure below shows the projections provided by the District for its fire staffing for the second half of the fiscal year. As shown, at current levels, payroll during the second half will exceed its budget by roughly $74,000, without any offsetting increase in revenues.

	Fire Payroll - 2nd Half		
	Budget	Projected	(Over) Under
paramedic	$ 52,728	$ 61,893	$ (9,165)
engineer	$ 54,624	$ 59,475	$ (4,851)
captains	$ 23,346	$ 74,217	$ (50,871)
chief	$ 26,502	$ 28,704	$ (2,202)
taxes	$ 14,484	$ 21,372	$ (6,888)
TOTAL	$ 171,684	$ 245,661	$ (73,977)
reserves	$ 9,102	$ 7,800	$ 1,302
Notes:			
Chief's salary partially paid by Workers' Comp in first half			

Additionally, the general manager has voluntarily reduced the compensation of her position more than once. These actions are not reflective of a well-funded agency and cannot be relied upon to achieve a sustainable budget.

Unfortunately, LAFCO's monitoring of the District now shifts to questions on its immediate sustainability.

Special Tax Election

The special study concluded that,

> "The district should consider placing a ballot measure to convert its current benefit assessment into a special tax with an annual inflation factor as a special tax would not be subject to an annual engineering report and annual exposure to being challenged. Further, an election to convert the assessment to a special tax could request an increased tax in order to augment fire protection and paramedic service. The District indicates that consideration of any ballot measure would not take place until all the mechanisms are in place to ensure that it annually operates with a sustainable budget and properly governs within that budget."

At its January 2016 hearing, the District voted 4-1 to call an election on a proposed $350 annual parcel tax related to its fire protection and emergency response services (District's resolution included as Attachment #4). The tax proposal will be placed on the June 7 election and will require two-thirds approval to pass. If successful, the $350 special tax would replace the current assessment (which would be a substantial increase). If unsuccessful, the current assessment would remain. The measure, as shown in the District's Resolution No. 1-1-2016, reads as follows:

> "Shall the Morongo Valley Fire and Rescue Assessment be converted into a special parcel tax of $350 per year, adjusted for inflation, to use in funding fire protection and paramedic services provided by the Morongo Valley Community Services District?"

Of note, the measure does not includes a cap on the annual adjustment for inflation, such as 3% or 5%, which is a concern for such measures.

CONCLUSION:

After what appeared to be a sustainable adopted budget, coupled with a positive mid-year spreadsheet, the District predicts a second half that will result in overages of $74,000 just for fire staffing. If all overtime were to be cut, then the projection shows an overage of $23,000. Therefore, the District resumes its never ending discussion about what level of fire service is desired in the community - how to pay for it or how to lower costs. Unfortunately, LAFCO's monitoring of the District now shifts to reviewing its immediate sustainability rather than the question of long term sustainability.

The budget remains challenged, and as a result the delivery of its range of services is challenged. If any additional major expense were to occur, such as further repairs to its 2001 truck, then service sustainability for the residents and travelers on Highway 62 would be severely challenged.

To address these sustainability concerns, as stated in the special study, the Commission may choose to initiate a sphere of influence review and a full service review. Such a review would include analysis of designating a zero sphere of influence signaling that a future change of organization take place. By designating a zero sphere, the Commission's desire would be that an overlying or adjacent agency would potentially assume the district's services. These could include:

- San Bernardino County Fire Protection District and its South Desert Service Zone (adjacent - fire protection and emergency medical response)

- County Service Area 70 (overlying - park and recreation, streetlights), or the District could maintain these services with fire being reorganized (as shown above)

Given the issues identified in this report, staff recommends that the Commission await the outcome of the June 7 election where the special tax measure will be decided by the voters. Should the special tax be approved, this would provide a stable source of revenue for the

District's fire protection and emergency medical services. Until the next scheduled update in August 2016, the results of the special tax election will dictate the coming year's budget as well as the possible direction of the community's fire protection and emergency services. The next update will revise the five-year financial projections identified in the special study based upon the District's unaudited year-end figures as well the results of the special tax election.

KRM/MT

Attachments:

1. FY 2014-15 Financial Statements
2. FY 2015-16 Mid-Year Spreadsheets
3. July 2015 Special Study – Staff report
4. Morongo Valley CSD Resolution Calling for Election

FY 2014-15
Financial Statements

Attachment 1

MORONGO VALLEY COMMUNITY SERVICES DISTRICT



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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MORONGO VALLEY COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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Board of Directors
Morongo Valley Community Services District
Morongo Valley, CA

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities of Morongo Valley Community Services District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Morongo Valley Community Services District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, generally accepted government auditing standards when applicable and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Morongo Valley Community Services District, as of June 30, 2015, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morongo Valley Community Services District's basic financial statements. The Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds and Calculation of Appropriation Spending Limit (Prop. 4 "Gann Limit") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds and Calculation of Appropriation Spending Limit (Prop. 4 "Gann Limit") are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds and Calculation of Appropriation Spending Limit (Prop. 4 "Gann Limit") are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Smith Marion & Co.

October 26, 2015
Grand Terrace, CA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Morongo Valley Community Services District is a non-enterprise independent special district encompassing a twenty-four square mile rugged natural desert landscape providing a rural lifestyle highly valued by residents. In 1958 concerned local citizens petitioned the San Bernardino County Board of Supervisors and formed a Community Services District specifically to control fire and emergency medical services for the community.

Formation resulted in acquiring control of streetlights, parks and libraries as well as fire services, and though fire services have transitioned from volunteer to a combined agency utilizing career paid staff and reserve firefighters; the community as a whole still is largely dependent on a core group of active volunteers serving to assist in maintenance, administrative and event-driven needs for its residents and visitors.

As management of the Morongo Valley Community Services District and Fire Department (the District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year which ended on June 30, 2015.

Financial Highlights:

- As can be viewed from the Government-Wide Financial Reports, assets of the Morongo Valley Community Services District exceeded it liabilities at the close of the 2014-2015 fiscal year by $821,741 (Total Net Position/Net Position of Governmental Activities). Because of unearned revenues and short term debt, the District's liabilities were $50,865, and when added to the net assets, resulted in Total Assets of $872,606. Unearned revenues are future payments due from the County of San Bernardino or the State Office of Emergency Services for assistance provided by the District for regional emergency response services.

- The District's governmental funds total revenues over the fiscal year were $824,156 of which tax and property assessments provided a combined $674,756 and other sources of income provided the balance. Total Expenditures over the same period were $829,828 or $5,672 in excess of total expenses. This required transfers from the District's Money Market Savings Account to offset expenditures with a corollary reduction in the District's Net Position.

- While the Districts beginning Fund Balance at the start of the fiscal year was $357,179 the Fund Balance at close of the fiscal year was $351,507 reflecting the $5,672 excess expense noted in the above statement.

- There were many factors contributing to the decrease in fund balance this year. The decrease for the 2014-2015 year in comparison to the prior year is significantly less. One of the largest factors is due to the General Manager accepting a significant pay decrease; from $50,000 down to $36,000 with no added benefits. The District was able to send strike teams to fires in other areas which generated over $91,000 in revenue. On the CSD side, we closely watched all expenses and made a significant effort to cut costs as much as possible. The main contributor to the decrease in the fund balance is due to expenses on old fire equipment. We had a challenging year with many expenses relating to the maintenance of the older fire equipment.

Overview of the Financial Statements

A discussion and analysis is intended to serve as an introduction to the District's basic financial statements and to explain what the statements reflect. These financial statements are comprised of three major components: **Government-wide financial statements**, various **Fund financial statements** and **Notes to the financial statements** themselves. This report provides required supplementary information intended to clarify these statements as well.

Government-wide financial statements. The statements are designed to provide readers with a broad overview of the District's finances in a manner similar to both private-sector businesses and other public governmental accounting agencies. As such, the "Business Model" statement and the "Governmental Model" statement will both reflect balanced statements; though each model will reflect District finances in a different manner. An "audit document" will reflect a Statement of Net Position which may show the net value of Capital Assets; whereas in the Governmental Funds Model Balance Sheet, Capital assets used in governmental activities are not considered as financial resources, and therefore are not reported in the funds on that particular statement.

A ***statement of net position,*** presents information on all of the District's assets and liabilities, with the difference between the assets and liabilities reported as **net position.** Over time, increases or decreases in the net assets serves as a useful indicator of whether the financial position of the District is either improving or deteriorating. Though it does not necessarily indicate why the financial position is moving in one direction or another.

A ***statement of activities*** on the other hand presents information showing how the District's net positon changed during the most recent fiscal year and also reflects primary governmental activities such as Fire Operations, Parks and Recreation and Street Lights. In this report, revenues and expenses are provided for some items which shall only result in cash flows in future fiscal periods; such as uncollected taxes or grants, contributions and other income which may be due at the close of the fiscal period.

The governmental activities of the District include the administration and management of all District activities for the Morongo Valley Community Services District, Morongo Valley, California. However, as required by the California State Controller's Office, the expenses of Administration and Management are not broken out separately, but rather incorporated, or wrapped into the costs to provide the services which are afforded to the community.

The ***government-wide financial statements*** can be found on pages 3-4 of the annual fiscal year- end audit report.

Fund financial statements. A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The Morongo Valley CSD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered to be governmental funds.

Governmental funds. Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources* available at the end of the

fiscal year. This information if frequently useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than the government-wide financial statements, they can be used to compare the information presented for *governmental funds* with similar information presented for the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The District maintains four individual governmental funds reflected as Fire Operations, Parks and Recreation, Street Lights and Debt Service. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these which are considered to be major funds. These statements can be found on pages 5-7 of the annual fiscal year-end audit report.

Notes to the Financial Statements. The notes provide additional information considered essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 8-14 of the annual fiscal year-end audit report.

Other information. In addition to the basic financial statements and accompanying notes, the audit report also presents certain *required supplementary information.* The District adopts an annual appropriated budget for its general operations and any special revenue funds. A budgetary comparison statement is provided for these operations and special revenue funds to demonstrate compliance with this budgeting process. The ***required supplementary information*** can be found on pages 15 of the annual fiscal year-end audit report.

Additionally, State government code requirements provide that all local governmental agencies are required to perform a calculation of their ***Appropriation Spending Limits*** each year utilizing a formula which takes into account any population changes over the prior year along with changes in the cost of living for the region in which the local agency exists. This limit places a cap on the amount that a local agency may spend as financed from the proceeds of taxes. The calculation of the ***appropriation spending limit*** is reflected on page17 of the annual fiscal year-end audit report.

Table 1
STATEMENT OF NET POSITION

	2015	2014
Current and other asssets	$ 432,428	$ 428,361
Capital assets	440,178	466,321
Total Assets	872,606	894,682
Deferred Outflows of Resources	-	-
Current liabilities	40,971	30,231
Long-term liabilities	9,894	15,336
Total Liabilities	50,865	45,567
Deferred Inflows of Resources	-	-
Net Position:		
Net investment in capital assets	440,178	466,321
Restricted	26,930	13,569
Unrestricted	354,633	369,225
Total Net Position	$ 821,741	$ 849,115

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. For the Morongo Valley CSD, total assets were reflected at $872,606 and total liabilities at $50,865 at the close of the fiscal year.

The largest portion of the District's net position reflects capital assets such as land, buildings, apparatus, machinery or equipment. This was valued net of depreciation at $440,178 less any related debt used to acquire those assets still outstanding. These debts included notes payable such as the outstanding balance due on the purchase of a Fire Command Vehicle which was financed at favorable rates through the Los Angeles Firefighter's Credit Union ($20,607).

As the District uses these capital assets to provide services to residents; consequently these assets are not available for future spending. Though the District's investment in its capital assets is reported net of related debt, the resources (funds), needed to repay the debts must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District's net position also included cash in a Money Market Account and cash which is considered "restricted" in that it is earmarked for specific projects. Total cash held by financial institutions for the District amounted to $365,122 at the close of the fiscal year. This cash is generally utilized to assist in meeting the District's ongoing obligations to residents and creditors which may occur within any fiscal cycle; the balance of these funds adds to the District's fiscal position. Some of this cash is related to unspent fees or assessments collected in current or prior years. A portion of which was collected for park improvements and additions which do not include expenses for the maintenance and operation of the District's parks.

Table 2
STATEMENT OF ACTIVITIES

	2015	2014
Revenues:		
Program Revenues:		
Charges for services	$ 120,397	$ 34,880
Operating grants and contributions	4,841	11,692
Capital grants and contributions	18,184	11,516
General Revenues:		
Property taxes	373,931	363,061
Assessments	300,825	313,913
Other	5,140	2,763
Total Revenues	823,318	737,825
Expenses:		
Fire operations	768,585	795,807
Parks and recreation	76,782	88,911
Street lights	4,788	4,080
Other	537	699
Total Expenses	850,692	889,497
Change in net position	(27,374)	(151,672)
Net Position - Beginning	849,115	1,000,787
Net Position - Ending	$ 821,741	$ 849,115

Capital Asset and Debt Administration:

Capital assets.

There were no significant changes in capital assets and debt administration over the fiscal year.

Debt administration.

Purchase of the Fire Command Vehicle resulted in an increase in the long-term debt of the District as a loan was obtained in the amount of $27,000 at 2.99% over a 60 month period starting in March of 2013. The added debt requires a monthly payment of $484 over this period of time.

General Fund Budgetary Highlights.

Table 3
BUDGET

	Original	Final	Variance
Revenues:			
Program Revenues:			
Charges for services	$ 30,900	$ 30,900	$ -
Operating grants and contributions	12,200	12,200	-
Capital grants and contributions	-	-	-
General Revenues:			
Property taxes	360,452	360,452	-
Assessments	300,535	300,535	-
Other	3,533	3,533	-
Total Revenues	707,620	707,620	-
Expenses:			
General government	120,123	120,123	-
Fire operations	645,656	645,656	-
Parks and recreation	37,850	37,850	-
Street lights	4,000	4,000	-
Other	5,816	5,816	-
Total Expenses	813,445	813,445	-
Change in net position	(105,825)	(105,825)	-
Transfers to/from other funds	105,825	105,825	-
Net Position - Ending	$ -	$ -	$ -

As indicated in table 3 the net position did not change there was only a shift of amounts between various line items.

Financial Analysis of the Government's Funds:

As noted previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements which include Generally Accepted Accounting Principles (GAAP), and those of the Governmental Accounting Standards Board (GASB). These are the accepted standard setting bodies for establishment of governmental accounting and financial reporting principles.

Governmental funds. The focus of District *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the District's financing requirements. In particular, ***unreserved fund balance*** may serve as a useful measure of a District's net resources *available for spending at the end of the fiscal year.* As noted on the previous page, such cash on hand can assist in meeting the District's ongoing obligations to residents and creditors by offsetting losses of revenues or meeting unplanned needs within a fiscal cycle. Where not used, this cash on hand serves as an *unreserved fund balance* adding to the District's net fiscal position.

Unreserved fund balances can also be used by a governmental agency to designate portions of such a net balance as future ***designated reserves*** within following fiscal cycles. Sort of like a designated savings account set aside for a specific purpose. Some governmental agencies utilize *designated reserves* and identify their

use to offset unplanned for emergency needs which may occur due to a localized or regional disaster such as fires, floods or other such needs. Additionally, governmental agencies may designate reserves to be used for contingencies which may occur within a current fiscal cycle, or to set aside funds to meet future *capital expenses* such as for replacement of structures, facilities or major fire apparatus and equipment. Quite commonly, agencies faced with significant cash on hand balances; designate a portion of such cash for investments in bonds or other assets which may provide available funding sources to meet future long-term needs of their agencies.

Ideally, an increase in either a *net fiscal position* or in *unreserved fund balance* from year-to-year would be a positive reflection of an agencies growth potential; or in the ability to sustain, improve or even expand services to the community as such increases occur. On the other hand, reductions in a *net fiscal position* or in *unreserved fund balance* from year-to-year could indicate a negative reflection in an agency's ability to sustain existing service needs of a community in future years unless additional sources of revenue could be generated.

At the end of the 2014-2015 fiscal year, the District's governmental funds reported combined ending fund balances of $351,507, a decrease of $5,672 in comparison with the prior fiscal year end. Of that balance $322,177 constitutes an *unassigned fund balance* and potentially available for new spending in subsequent fiscal periods; the reduction over the prior fiscal year serves as an indicator that continued similar reductions from fiscal year to fiscal year is not sustainable, and would surely result in decreased service levels for the community unless additional sources of revenue can be found or fees increased to augment existing fiscal resources.

Economic Factors, Trends and Following Fiscal Year Needs

Governance for the District has recognized community priorities; and with strategic staff planning and community input has defined elements of fiscal planning to assist in preparation for the future fiscal needs to meet community service level desires. These elements include:

Emphasis on fiscal responsibility and accountability, establishment of taking a conservative approach, emphasis on establishment of stable reserves, and ***the need to invest in infrastructure maintenance.***

Emphasis on fiscal responsibility and accountability.

Development of annual budgets reflecting anticipated expenditures within anticipated revenues and existing fund balances; while providing for contingencies, and establishment of specific funding of designated reserve accounts. Staff is committed to taking a long-term view for stabilization of fiscal resources and a need to augment such resources wherever possible.

Establishment of taking a conservative approach.

There is an acknowledgement that current economic conditions present a slow advance from a housing and economic correction which has existed for six years within the San Bernardino/Riverside County area which was hard hit due to the economic downturn.

Degradation of property values significantly impacted the District's property tax apportionment which forced a "hold-the-line" approach on services, as a slow advance in the Consumer Price Index (CPI) started to take hold. Advances in the CPI enabled a slow progression and slight gains in revenue derived from the resident approved fire suppression assessment fee over the prior year. While slow and steady, such gains will eventually enable the District to offset loss of property tax apportionment revenue until such time as the economy rebounds and property values increase.

Additional revenues acquired from service fees or property rentals added over time should also serve to offset prior loss of some of the property tax apportionment revenues.

Emphasis on establishment of stable reserves.

Future use of end-of-year *unreserved fund balances* can assist in development of ***Designated Reserves*** as recommended by the California Special Districts Association. This past fiscal year the Board of Directors adopted Financial Practices Guidelines providing for the intent to establish ***Designated Reserve Accounts*** in the upcoming fiscal year to assist in providing future stability for the District and specifically designated reserves for unanticipated emergencies, contingencies and for future capital outlay needs.

Investment in infrastructure maintenance.

When the Board of Directors adopted their Financial Practices Guidelines, they committed to having a "Reserve Study" performed in the following fiscal year which would outline the various assets owned by the District, establish their relative life cycle to determine useful lives of the components, and establish a five to thirty year funding plan to support the life cycle of the asset to include future replacement needs. Having such a fiscal plan for investment in infrastructure maintenance thus should reduce significant expenses which are commonly experienced with "deferred maintenance" and provide the ability to plan for and extend the life of any designated assets.

Economic Factors and Next Year's Budget

The District expects revenues in the 2015-2016 fiscal year to increase less than 1% over the prior year. The majority of this increase is expected to be from the resident voter approved fire assessment fee adopted in fiscal year 2007-08 providing for a modest increase tied to the experienced cost-of-living increase over the prior year. Recreation and park facilities use fees are expected to remain level or slightly increased and property tax revenues are projected to remain relatively flat as the economy slowly shifts forward.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for those who may have an interest in the governmental finances such as revenues, debt, assets and liabilities. Questions concerning any of the information provided in this report, or requests for additional financial information should be directed to the General Manager's Office of the Morongo Valley Community Services District at 11207 Ocotillo Street, P. O. Box 46, Morongo Valley, CA 92256.

For those who desire, contact may be made by telephone at 760-363-6454 to schedule an appointment with the General Manager to review any aspect of the District's financial position or the reports which have been provided.

BASIC FINANCIAL STATEMENTS

MORONGO VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 338,192	$ -	$ 338,192
Cash - restricted	26,930	-	26,930
Total cash	365,122	-	365,122
Accounts receivable	19,522	-	19,522
Prepaid insurance	2,400	-	2,400
Notes receivable	45,384	-	45,384
Capital assets (Net)	440,178	-	440,178
TOTAL ASSETS	872,606	-	872,606
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	872,606	-	872,606
LIABILITIES			
Accounts payable	5,287	-	5,287
Unearned revenue	30,250	-	30,250
Notes payable - Current	5,434	-	5,434
Notes payable - Noncurrent	9,894	-	9,894
TOTAL LIABILITIES	50,865	-	50,865
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	424,850	-	424,850
Restricted net position	26,930		26,930
Unrestricted net position	369,961	-	369,961
TOTAL NET POSITION	$ 821,741	$ -	$ 821,741

The accompanying notes are an integral part of this statement

MORONGO VALLEY COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Gov't Governmental Activities
Primary Government					
Governmental Activities:					
Fire operations	$ 768,585	$ 113,284	$ 4,161	$ 18,184	$ (632,956)
Parks and recreation	76,782	7,113	680	-	(68,989)
Street lights	4,788	-	-	-	(4,788)
Interest on long-term debt	537	-	-	-	(537)
Total Governmental Activities	850,692	120,397	4,841	18,184	(707,270)
Business-type activites:	-	-	-	-	-
Total Business-Type Activities	-	-	-	-	-
Total Primary Government	$ 850,692	$ 120,397	$ 4,841	$ 18,184	(707,270)

General revenues:	
Property taxes	373,931
Assessment	300,825
Grants, contributions and other income not restricted to specific programs	5,044
Unrestricted interest income	96
Total General Revenues	679,896
Change in net position	(27,374)
Net position - beginning	849,115
Net position - ending	$ 821,741

The accompanying notes are an integral part of this statement

MORONGO VALLEY COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Total Governmental Funds
ASSETS		
Cash	$ 338,192	$ 338,192
Cash - restricted	26,930	26,930
Accounts receivable	19,522	19,522
Prepaid insurance	2,400	2,400
TOTAL ASSETS	387,044	387,044
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 387,044	$ 387,044
LIABILITIES		
Accounts payable	$ 5,287	$ 5,287
Other liabilities	30,250	30,250
TOTAL LIABILITIES	35,537	35,537
DEFERRED INFLOWS OF RESOURCES	-	-
FUND BALANCE		
Nonspendable:		
Prepaid expenses	2,400	2,400
Restricted for:		
General Government	26,930	26,930
Unassigned	322,177	322,177
TOTAL FUND BALANCE	351,507	351,507
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	$ 387,044	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	440,178
Governmental funds focus on current financial resources. Accordingly, they report only those receivables that are considered potentially relevant to near-term liquidity	45,384
Governmental funds focus on current financial resources. Accordingly, they report only those liabilities that are considered potentially relevant to near-term liquidity	(15,328)
Net Position of governmental activities	$ 821,741

MORONGO VALLEY COMMUNITY SERVICES DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund
REVENUES	
Tax assessments	$ 368,323
Fire assesment	300,825
Tax revenue - homeowners' property tax relief	5,608
Grant income	18,184
Interest	96
Fire service	113,284
Park concessions	7,113
Donations	4,841
Other revenue	5,882
TOTAL REVENUES	824,156
EXPENDITURES	
Fire operations	742,443
Parks and recreation	76,781
Street lights	4,788
Debt service	5,816
TOTAL EXPENDITURES	829,828
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,672)
OTHER FINANCING SOURCES AND (USES)	
Transfers in from other funds	-
Transfers out to other funds	-
Net Other Financing Sources and (Uses)	-
Net change in fund balances	(5,672)
FUND BALANCE - BEGINNING OF YEAR	357,179
FUND BALANCE - END OF YEAR	$ 351,507

The accompanying notes are an integral part of this statement

MORONGO VALLEY COMMUNITY SERVICES DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances-total governmental funds	$	(5,672)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the amount by which depreciation exceeded capital outlays.		(26,143)
		-
Governmental funds report loan receivable payments as income. However, in the statement of activities the payment is applied to reduce the loan receivable principal.		(838)
Governmental funds report loan payments as expenditures. However, in the statement of activities the payment is applied to reduce the loan principal.		5,279
Change in net position of governmental activities	$	(27,374)

1. NATURE OF ORGANIZATION

Morongo Valley Community Services District, Morongo Valley, CA was incorporated August 4, 1958 under statutory authority as set forth in California Government Code Sec. 61000 et seq. The District is responsible for fire protection, parks and recreation, and street lighting.

BOARD OF DIRECTORS	
President	Johnny Tolbert
Vice-President	Kristina Brook
Director of Finance	Karen Lowe
Director of Legislative/Projects & Fire Commissioner	Gayle Swarat
Parks Commissioner	Chuck Osborne

ADMINISTRATION	
General Manager	Donna Munoz

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Morongo Valley Community Services District (the District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Government-wide and fund financial statements
The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no component units and is not a component unit of another primary government.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement focus, basis of accounting, and financial statement presentation
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental fund:

The general fund is the government's primary operation fund. It accounts for all financial resources of the general government, except those required to be accounted in another fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operation grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Revenue
Revenue consists primarily of property tax assessments.

Accounts Receivable
Accounts receivable at year end consist primarily of property tax assessments from the County of San Bernardino. Management has determined the entire amount of the receivables is fully collectible, therefore, no allowance for doubtful accounts has been established. All amounts are due to be collected within one year.

Federal and State Grant Revenue
Grant revenue is recognized when the program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Budgets
Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund.

Cash and Cash Equivalents
For purposes of the statements of cash flows, the District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments
Under provision of the District's Investment Policy, and in accordance with Section 53601 of the California Government Code, the District may invest in the following types of investments:

Securities of the U.S. Government, or its agencies
Small Business Administration Loans
Negotiable Certificates of Deposits
Bankers Acceptances
Commercial Paper
Local Agency Investment Fund (State Pool Deposits)
Passbook Savings Account Demand Deposits
Repurchase Agreements
Reverse Repurchase Agreements

Capital Assets
Capital assets includes property, equipment, and infrastructure assets (e.g. vehicles, equipment, office equipment and furniture), which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Vehicles	10
Office equipment	5
Computer equipment	5

Long-Term Obligations
In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. There are no bond premiums or discounts associated with these obligations.

3. CASH AND INVESTMENTS

Cash and cash equivalents consist of the following:

	Fair Value
Cash in bank	$ 338,192
Cash - restricted	26,930
Total Cash and Cash Equivalents on deposit with Financial Institutions	$ 365,122

Investments Authorized by the California Government Code and the District's Investment Policy
The succeeding table identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address **interest rate risk, credit risk, and concentration credit risk**. This table does not address investment of debt proceeds held by a bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

* Excluding amounts held by a bond trustee that are not subject to California Government Code restrictions

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

Disclosure Relating to Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk
The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total District investments.

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit. Therefore, all cash funds of the District deposited with financial institutions are fully insured by such collateral pools.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of a mutual fund or government investment pool.

4. CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Assets:				
Capital assets not being depreciated:				
Land	$ 203,330	$ -	$ -	$ 203,330
Capital assets being depreciated:				
Buildings and improvements	588,312	-	-	588,312
Furniture and equipment	437,564	-		437,564
Fire equipment	596,785	16,087	-	612,872
Total Capital Assets being depreciated	1,622,661	16,087	-	1,638,748
Accumulated Depreciation:				
Buildings and improvements	(416,983)	(11,632)	-	(428,615)
Furniture and equipment	(399,956)	(12,598)	-	(412,554)
Fire equipment	(542,731)	(18,000)	-	(560,731)
Total Accumulated Depreciation	(1,359,670)	(42,230)	-	(1,401,900)
Net capital assets being depreciated	262,991	(26,143)	-	236,848
Net Governmental Activities Capital Assets	$ 466,321	$ (26,143)	$ -	$ 440,178

Depreciation expense for the period amounted to: $ 42,230

5. PROPERTY TAX CALENDAR

The District's assessments are included on county property tax bills. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	March 1	
Levy date	July 1 to June 30	
Due date	November 1	- First installment
	February 1	- Second installment
Delinquent date	December 10	- First installment
	April 10	- Second installment

6. CREDIT LINE PAYABLE

The District has entered into a line of credit agreement with a bank. Under this agreement the District can borrow working capital advances up to $200,000. The agreement requires interest only payments. As of yearend the interest rate was 5.00%. The balance as of yearend on the credit line was $-0-.

7. LONG-TERM DEBT

The following represents the long-term debt of the District:

Chevy Tahoe: the District obtained a loan in the amount of $27,000 on 3/11/13. The interest rate was 2.99% and required a monthly payment of $484 for a 60 month period.

A summary of changes in long-term debt is as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Chevy Tahoe	$ 20,607	$ -	$ (5,279)	$ 15,328	$ 5,434
Total	$ 20,607	$ -	$ (5,279)	$ 15,328	$ 5,434

Annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
For the year ending June 30:			
2016	$ 5,434	$ 384	$ 5,818
2017	5,594	220	5,814
2018	4,300	54	4,354
Total	$ 15,328	$ 658	$ 15,986

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors & omissions on natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

9. RESTRICTED CASH

The District held restricted cash on hand at year end. The restricted cash includes amounts received for various programs the District has, including: the tennis program, library improvements, MAPS program, and the senior nutrition program. There is also an amount included for future improvements to be made to the Mojave property owned by the District.

10. NOTES RECEIVABLE

The District sold property on September 29, 2009 for cash and an installment note in the amount of $50,000. The note requires an annual payment of $3,333 on July 1 each year, continuing until July 1, 2040 at which time any remaining balance is due and payable. Interest rate is 5.305%.

Annual notes receivable maturities are as follows:

For the year ending June 30:	Principal	Interest	Total
2016	$ 979	$ 2,355	$ 3,334
2017	1,031	2,303	3,334
2018	1,085	2,249	3,334
2019	1,143	2,191	3,334
2020	1,204	2,130	3,334
Thereafter	39,942	30,072	70,014
Total	$ 45,384	$ 41,300	$ 86,684

11. SUBSEQUENT EVENTS

Accounting standards require that the District assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. The District evaluated all potential subsequent events as of October 26, 2015, when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after the balance sheet date or as of October 26, 2015 that require disclosure in the financial statements.

* * * *

REQUIRED SUPPLEMENTARY INFORMATION

MORONGO VALLEY COMMUNITY SERVICES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			
	Budgeted amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tax revenue	$ 360,452	$ 360,452	$ 368,323	$ (7,871)
Fire assesment	300,535	300,535	300,825	290
Tax revenue - homeowners' property tax relief	-	-	5,608	5,608
Grant income	3,500	3,500	18,184	14,684
Interest	200	200	96	(104)
Fire services	25,900	25,900	113,284	87,384
Park concessions	5,000	5,000	7,113	2,113
Donations	8,700	8,700	4,841	(3,859)
Other revenue	3,333	3,333	5,882	2,549
TOTAL REVENUES	707,620	707,620	824,156	100,794
EXPENDITURES				
General Government				
Wages and benefits	63,786	63,786	54,402	9,384
Operations expense	56,337	56,337	49,255	7,082
Total General Government	120,123	120,123	103,657	16,466
Fire Operations				
Wages and benefits	495,031	495,031	499,658	(4,627)
Operations expense	150,625	150,625	152,633	(2,008)
Total Fire Operations	645,656	645,656	652,291	(6,635)
Parks and Recreation				
Wages and benefits	26,000	26,000	34,825	(8,825)
Operations expense	11,850	11,850	29,031	(17,181)
Total Parks and Recreation	37,850	37,850	63,856	(26,006)
Street Lights				
Repairs and maintenance	4,000	4,000	4,208	(208)
Total Street Lights	4,000	4,000	4,208	(208)
Debt Service				
Principal expense	-	-		-
Interest expense	5,816	5,816	5,816	-
Total Debt Service	5,816	5,816	5,816	-
TOTAL EXPENDITURES	813,445	813,445	829,828	(16,383)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,825)	(105,825)	(5,672)	100,153
OTHER FINANCING SOURCES AND (USES)				
Transfers to/from other funds	105,825	105,825	-	(105,825)
Net Other Financing Sources and (Uses)	105,825	105,825	-	(105,825)
Net Change in Fund Balances	-	-	(5,672)	(5,672)
FUND BALANCE - BEGINNING	-	-	357,179	357,179
Adjustment to Beginning Fund Balance			-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ 351,507	$ 351,507

See auditors' report on supplementary information

SUPPLEMENTARY INFORMATION

MORONGO VALLEY COMMUNITY SERVICES DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			Total Governmental Funds
	Fire Operations	Park and Recreation	Street Lights	
REVENUES				
Tax revenue	$ 286,754	$ 76,781	$ 4,788	$ 368,323
Fire assesment	300,825	-	-	300,825
Tax revenue - homeowners' property tax relief	5,047	505	56	5,608
Grant income	18,184	-	-	18,184
Interest	96	-	-	96
Fire service	113,284	-	-	113,284
Rents and concessions	-	7,113	-	7,113
Donations	4,161	680	-	4,841
Other revenue	2,548	3,334	-	5,882
TOTAL REVENUES	730,899	88,413	4,844	824,156
EXPENDITURES				
Salaries and wages	472,925	35,549	272	508,746
Employee benefits	74,047	6,060	33	80,140
Operations expense	195,471	35,172	4,483	235,126
Debt service	5,816	-	-	5,816
TOTAL EXPENDITURES	748,259	76,781	4,788	829,828
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,360)	11,632	56	(5,672)
OTHER FINANCING SOURCES AND (USES)				
Transfers in from other funds	-	-	-	-
Transfers out to other funds	-	-	-	-
Net Other Financing Sources and (Uses)	-	-	-	-
Net change in fund balances	(17,360)	11,632	56	(5,672)
FUND BALANCE - BEGINNING OF YEAR	267,506	88,335	1,338	357,179
FUND BALANCE - END OF YEAR	$ 250,146	$ 99,967	$ 1,394	$ 351,507

MORONGO VALLEY COMMUNITY SERVICES DISTRICT

CALCULATION OF APPROPRIATION SPENDING LIMIT (Prop. 4 "Gann Limit")
FOR THE YEAR ENDED JUNE 30, 2015

Calculation of Spending Limit:

Last Year's Limit			$ 567,374
Adustment Factors:			
Change in Population/City		1.0048	
Growth Factor	x	0.9977	
		1.0025	
Total Adjustment (Dollars)			1,418
New Appropriation Limit for Fiscal Year 2014-2015			$ 568,792

Appropriations in Fiscal Year 2013-2014 Compared to Limit:

Proceed from Taxes	$ 707,621
Less Exclusions	(350,911)
Appropriations Subject to Limitation	356,710
Appropriations Limit for FY 2013-2014	568,792
Amount Under Limit	$ 212,082

Explanation of Gann Spending Limit:
The Gann spending limit places a cap on the amount of local government spending that may be financed from proceeds of taxes. The limit is adjusted annually by a combined growth factor, which takes into account both inflation and population growth.

A. REQUIRED SUPPLEMENTARY INFORMATION

Budgets are developed consistent with generally accepted accounting principles. All annual appropriations lapse at yearend.

Budget information is presented by key government operations of the District. Encumbrances exceeded appropriations in various line items of the budget but in total did not exceed the budget.

B. SUPPLEMENTARY INFORMATION

The combining statement of revenues and expenditures reflects the revenues and expenditures of the District by key government activity in accordance with the governmental fund presentation.

FY 2015-16
Mid-Year Spreadsheets

Attachment 2

Morongo Valley C.S.D.
Profit & Loss Budget vs. Actual
July through December 2015

	Jul - Dec 15	Budget	$ Over Budget	Notes:
Ordinary Income/Expense				
Income				
4000 · County Taxes				
4001 · Countywide & Unitary Accrued	182732	184741	-2009	
4006 · Fire Suppression Assessment	150497	151466	-969	
Total 4000 · County Taxes	333229	336207	-2978	
4100 · CSD				
4101 · Community Donations	2086	0	2086	Restricted Funds Mojave
4105 · Interest	21	0	21	
4107 · Note Payments	3334	1667	1667	Full pmt rec'd
4190 · Income - Other	501	0	501	Brown Act reimbursement
Total 4100 · CSD	5942	1667	4275	
4200 · FIRE SERVICES				
4290 · Income - Other	66	0	66	CPR Class
4291 · Donations	2273	0	2273	Restricted Funds
4293 · OES Reimbursement	126829	11000	115829	Billed OES - 50% received as of 12/31/15
4294 · Cost Recovery - Reimbursement	1768	2000	-232	
4295 · Fire Inspections	408	1200	-792	
Total 4200 · FIRE SERVICES	131344	14200	117144	
4300 · COVINGTON PARK				
4310 · Rents & Concessions	3114	2500	614	
Total 4300 · COVINGTON PARK	3114	2500	614	
4700 · Grant Income				
4701 · Reimbursable Expenditures	119	5000	-4881	No pending grants as of 12/31
Total 4700 · Grant Income	119	5000	-4881	
Total Income	473748	359574	114174	
Gross Profit	473748	359574	114174	
Expense				
5005 · Fire Operations				
Operating Supplies				
5252 · Fire Prevention Services	45	750	-705	
5265 · Paramedic Supply & Equipment	2776	5000	-2224	
5275 · OES & Mutual Aid Expense	2492	0	2492	reimbursed
5285 · Disaster Preparedness	0	75	-75	
Total Operating Supplies	5313	5825	-512	

Morongo Valley C.S.D.
Profit & Loss Budget vs. Actual
July through December 2015

	Jul - Dec 15	Budget	$ Over Budget	Notes:	
Training & Safety					
5247 · Physicals & Vaccinations	1249	2000	-751		
5249 · Firefighter Personal Equipment	828	2750	-1922		
5250 · Firefighter Training Expense	200	1500	-1300		
5256 · Uniforms	2061	2250	-189		
Total Training & Safety	4338	8500	-4162		
Administration					
5225 · County Dispatch	3469	3900	-431		
5227 · Communications	1908	1250	656		800 Radio monthly fee's $157
5237 · Inspections ICEMA/Zoll	2400	1400	1000		ICEMA full year paid - no further expense
5245 · Other Expense-Recruitment	157	50	107		
5260 · Building Maintenance	1193	1000	193		
5280 · Medical Director	2500	2500	0		
5290 · Special Assessment	2758	1375	1383		Wildan Full year paid - no further expense
5295 · Office Equipment	628	500	128	475.00	restricted funds used
5296 · Office Expenses & Supplies	917	650	267	266.00	restricted funds
5297 · Supplies	591	1250	-659		
5298 · Memberships & Associations	511	450	61		
Total Administration	17031	14325	2706		
Apparatus					
5234 · Apparatus\Equipment Purchased	3812	3675	-63	498.00	restricted funds
5235 · Apparatus Gasoline	5756	7500	-1744		
5240 · Apparatus Maint. & Repair					
5241 · Fire Engine Maint. & Repair					
BE 462 · Brush Engine 462	7420			6,982.00	OES repairs
E462 · Fire Engine 462	428				
ME461 · Medic Engine 461	29732			24,983.00	Engine
5241 · Fire Engine Maint. & Repair - Other	0	10000	-10000		
Total 5241 · Fire Engine Maint. & Repair	37580	10000	27580		
5243 · Yearly Equipment Testing	3357	3975	-618		
5244 · Radio Equipment	701	1625	-924		
5293 · Command Vehicle					
C5200 · 2013 Tahoe	2150				
C5201 · Tahoe	1636			1,259.00	Restricted Funds
5293 · Command Vehicle - Other	0	1700	-1700		
Total 5293 · Command Vehicle	3786	1700	2086		
Total Apparatus	54993	28675	26318		

Morongo Valley C.S.D.
Profit & Loss Budget vs. Actual
July through December 2015

	Jul - Dec 15	Budget	$ Over Budget		Notes:
Compensation					
5203 · Compensation - Paramedics	57967	52728	5239		Employee Turnover-short staff
5204 · Compensation - Engineers	59717	54627	5090	2,655.00	& MOU Holiday
5205 · OES & Mutual Aid	39696	5500	34196	34,196.00	refer to OES Income
5206 · Compensation - Captains	65804	23351	42453	30,453.00	MOU staffing - TDD coverage
5207 · Compensation - Chief	14507	26506	-11999		TDD credit
5209 · Payroll Taxes	19734	14482	5252	3,250.00	OES staffing
5215 · Worker's Comp. Ins.	20223	19978	246	3,020.00	OES
5219 · Employee Benefits	8773	10400	-1627		New staff notcovered
5230 · Subsistance Pay Reserves	7765	9100	-1335		
5232 · EMS Coordinator	3320	6558	-3238		
Total Compensation	297506	223229	74277		
Total 5006 · Fire Operations	379182	280554	98627	108,037.00	Adjustments not on budget
5005 · Wages & Benefits					
5002 · Wages - Administrative	18699	18000	699	692	Paid out vacation time
5003 · Wages - Support Staff	4840	4295	545		reduction in hours not feasible
5004 · Wages - Parks	14128	11700	2428	1,002.00	Vacation Backfill
5015 · Payroll Taxes - Employer	3076	3469	-393		
5018 · CSD Workers Comp.	2577	2846	-268		
5019 · Employee Benefits	2207	1953	254		Insurance Increase
Total 5005 · Wages & Benefits	45527	42262	3266		
5000 · Administration					
5071 · Repair and Maintenance					
5320 · CP Equipment	1407	1000	407	535.00	Battery & Starter
5365 · CP Buildings	3384	1000	2384	1,344.00	$1171 Plumbing, $173lights, Christmas $178
5370 · CP Grounds	1405	1200	205		
5375 · Gasoline	876	525	351		
5377 · Mojave Property	2077			2,076.98	Comp for sale- restricted
Total 5071 · Repair and Maintenance	9150	3725	5425		
5070 · Insurance-General	6782	7750	-968		
5080 · Office Expense					
5065 · Postage	257	200	57		
5068 · Printing/Copies	810	750	60		Full year maint contract $720 paid
5073 · Legal & Professional Expense	692	900	-208		
5074 · Internet Service	280	420	-140		
5075 · Publications & Education	0	200	-200		
5076 · Memberships	1729	765	964		CSDA full year $1634
5077 · Registar of Voters Expense	20	500	-480		

Morongo Valley C.S.D.
Profit & Loss Budget vs. Actual
July through December 2015

	Jul - Dec 15	Budget	$ Over Budget	Notes:	
5070 · Meeting Expense	177	100	77		director awards
5081 · Office Equip & Maintenance	0	600	-600		
5082 · Bank Charges	257	125	132		LOC interest - operating funds
5083 · Expenses & Supplies	977	340	637		GM mileage $593
Total 5080 · Office Expense	5199	4900	299		
5085 · Auditing/Accounting	9855	6850	3005		Full year Audit prep $6975 paid
5090 · Children's Library	161	100	61		$100 stipend summer prog
5096 · Street Lights	2075	2000	75		
5100 · Utilities					
5052 · 5252 Water	1198	1400	-202		
5053 · 5053 Electricity	6426	4000	2427		
5054 · 5054 Gas	542	1000	-458		
5060 · 5060 Telephone	1837	2125	-288		
Total 5100 · Utilities	10003	8525	1478		
5200 · Debt Service					
5220 · Lease/Purchase Equip. Reserve	2908	2908	0		
Total 5200 · Debt Service	2908	2908	0		
Total 5000 · Administration	46133	36758	9375	5,649.98	Adjustments not on budget
Uncateg · Uncategoried Expense					
Total Expense	470842	359574	111268		
Net Ordinary Income	2906	0	2906		
Net Income	2906	0	2906		

OES

Mojave

Restricted Fire Funds

July 2015 Special Study – Staff Report

Attachment 3

LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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

DATE: **JULY 1, 2015**

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

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item #9: LAFCO 3189 - Special Study of the Morongo Valley Community Services District**

RECOMMENDATION:

Staff recommends that the Commission take the following actions related to LAFCO 3189:

1. Receive and file the special study for the Morongo Valley Community Services District.

2. Request the Morongo Valley Community Services District to provide LAFCO with its adopted annual budget, mid-year financial report, and financial statements for the next three years.

3. Direct LAFCO staff to monitor and update the Commission biannually for the next three years regarding the financial position and sustainability of the Morongo Valley Community Services District.

BACKGROUND:

On August 18, 2014, LAFCO received a complaint from a director of the Morongo Valley Community Services District dated August 11, 2014 (included as Attachment #1). The complaint was also distributed to the Grand Jury and the Third District Supervisor. The complaint states that since LAFCO's service review/sphere update of November 2012, the district's expenses have increased dramatically. The director requested LAFCO's assistance to review the district's operations and determine the District's ability to preserve fire protection services and avoid bankruptcy.

In response to the complaint, staff conducted a phone interview with the general manager in September followed by a site visit with the general manager and fire chief in January. At the January 21, 2015 hearing, based upon staff's recommendation the Commission

authorized a special study of the district. This special study is narrow in focus – determining the financial sustainability of the district to perform the minimum level of services.

Methodology

Throughout February, March, and April the district general manger formulated the FY 2015-16 Budget. During this time, the general manager provided LAFCO staff with documentation on cost cutting measures for 2014-15 and 2015-16 as well as insight into rectifying the problems that have plagued the district since at least 2010.

On April 7, LAFCO staff conducted a site visit and interviewed the general manager and interim fire chief. On April 11, the district held a special meeting and unanimously adopted its preliminary 2015-16 budget as presented by district staff. The district adopted the final 2015-16 budget at its May 20 hearing.

Sources utilized for this report include:

- Interviews and correspondence with district management staff
- District financial documents
    - Audits through FY 2013-14
    - Ledger for FY 2014-15 through March with year-end projections provided by district
    - FY 2015-16 final budget provided by district
- State Controller Report for Special Districts through FY 2012-13
- Assessed Valuation data from the County Auditor
- Population data from the U.S. Census with projections from ESRI (Environmental Systems Research Institute)
- District fire department response calls by type from 2011 through 2014
- Traffic flow data from the State Department of Transportation and ESRI

Review of Draft Report

The draft staff report was provided to the district for review and comment which culminated with a meeting on June 11. The District has identified that it does not have written comments on the draft staff report. The final step for the special study is this report presented to the LAFCO Commission at a public hearing.

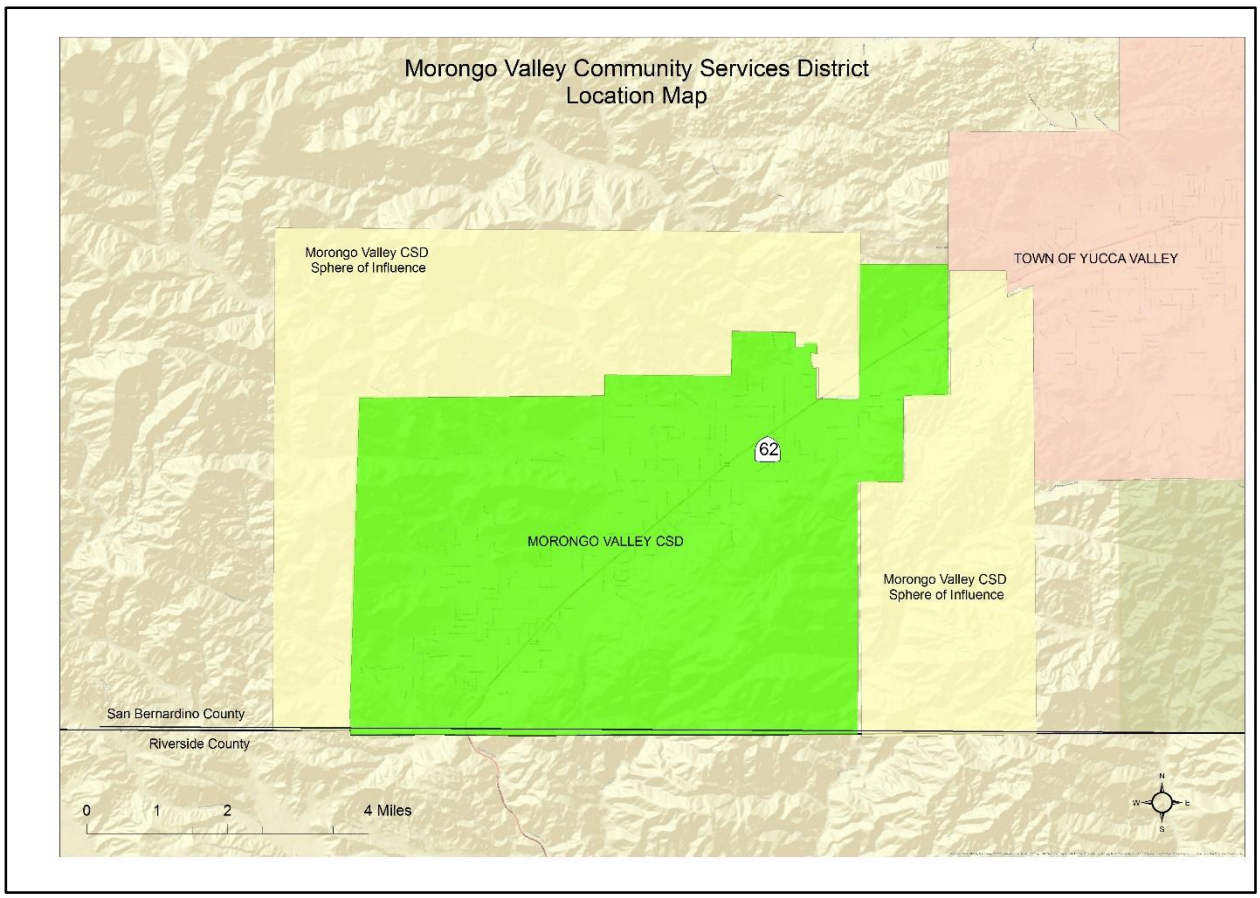
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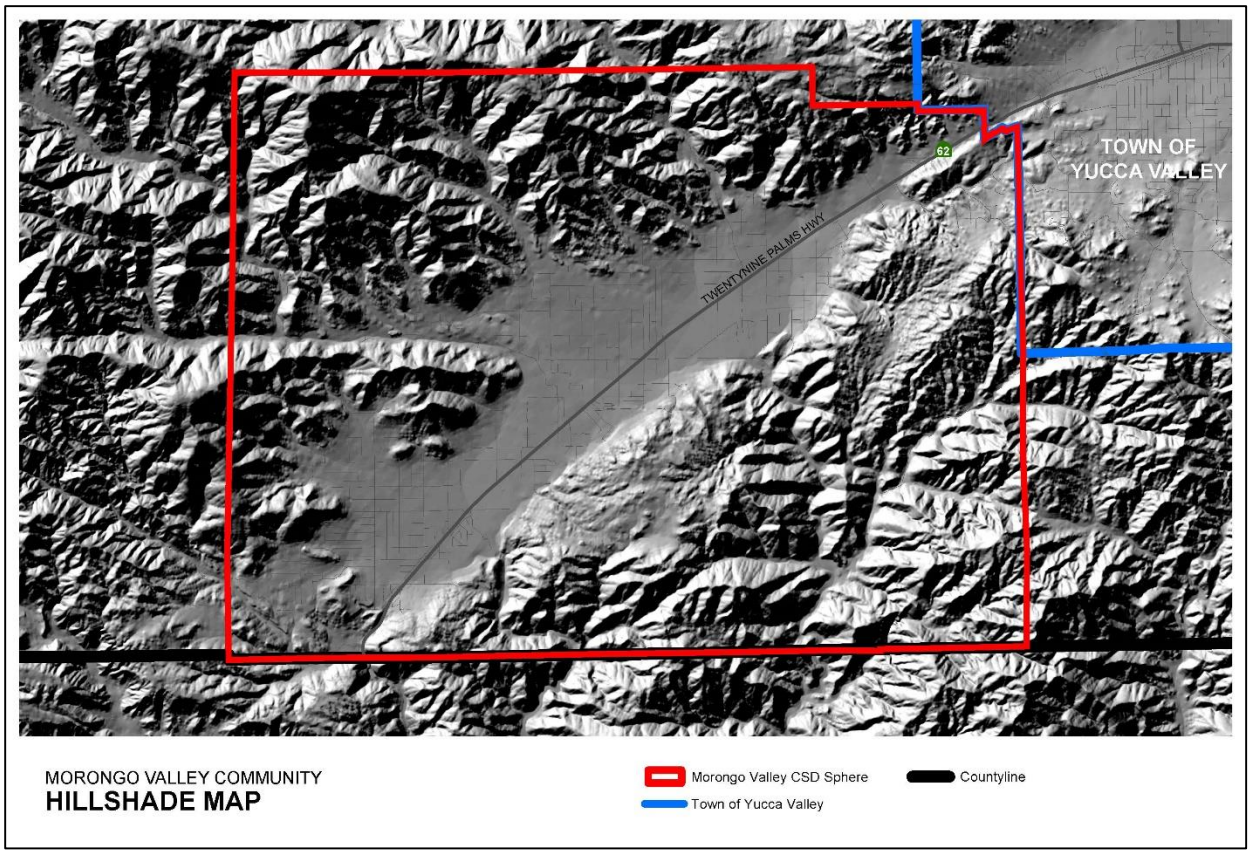
Location

The special study area is generally situated in the Commission's defined South Desert Region at the southwestern end of the Morongo Basin, approximately 58 miles east of San Bernardino and 23 miles north of Palm Springs by car. State Route 62 (Twentynine Palms Highway) traverses through the community which is south of the Sawtooth Mountains, southwest of the LAFCO defined Yucca Valley community, westerly of the Joshua Tree National Park, north of the Riverside county line, and east of the San Bernardino Mountain

Range. The study area encompasses approximately 27 square miles and includes portions of the San Gorgonio Wilderness and the Big Morongo Canyon Preserve.

A map of the District is shown below. The second map is a relief map which illustrates the topographic constraints that form the Morongo Valley. Morongo Valley is basically a rural community with scattered development on large parcels of land. Development consists mostly of residential single-family homes with little commercial development. The community has wilderness and recreational areas within and surrounding the community.





Morongo Valley CSD

In 1958 the voters approved the formation of the Morongo Valley Community Services District. The CSD is an independent special district with a five-member board of directors elected at-large and operates under Community Services District Law, Government Code Section 61000 et seq. Currently, the CSD is authorized by LAFCO to provide the functions of streetlighting, fire protection, park and recreation, and library service pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. Currently, the district does not actively provide library service.

Special Tax

In 2002, in response to declining numbers of volunteer firefighters and community concerns regarding lengthy response times by the ambulance service assigned to the area, the District proposed, and the electorate approved, the Morongo Valley Fire and Rescue Assessment pursuant to Government Code Sections 50078 et seq. The total cost of the service is allocated to each property based on the relative benefit to a property in relation to a single family home, the type of property, and its size, adjusted for inflation capped at 3% each year. Each year the District's contracted engineering firm conducts a "fire suppression count", essentially auditing the parcel list for the assessment. According to the ballot measure, the assessment provides funding to:

- Ensure a minimum of two paid fire personnel on duty 24 hours a day, 7 days a week,
- Upgrade Emergency Medical Service from EMT/Firefighter (Basic Life Support) to Paramedic/Firefighter (Advance Life Support),
- Significantly improve response times for Advance Life Support,
- Guard against possible increases in fire and home insurance by protecting the District's fire risk rating, and
- Work towards improving fire risk rating in areas with highest insurance rates by establishing a water haul system.

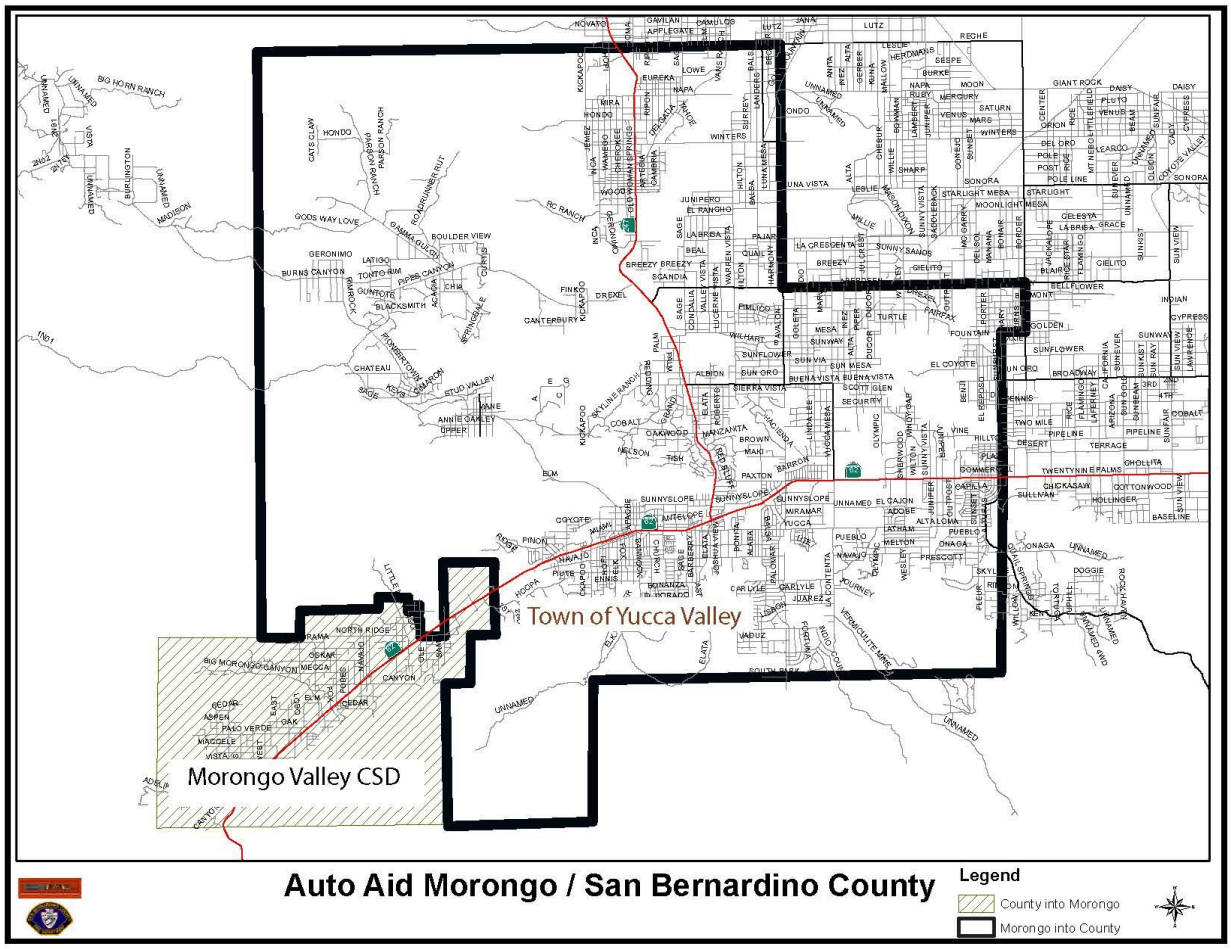
Agreement with ICEMA

The CSD (through its Fire Department) and the Inland Counties Emergency Medical Agency ("ICEMA")[1] entered into a non-financial agreement in 2008 authorizing the CSD to provide non-transport Advanced Life Support services within District's boundaries and sphere of influence.[2] The agreement was from February 2008 through January 2010 and is automatically renewed for successive two-year periods unless terminated or amended, with the current two-year term being through January 2016.

Agreement with County Fire

The CSD and County Fire have entered into an automatic aid/mutual aid agreement "to provide the most expeditious response to suppress fires and render other emergency services".[3] The agreement identifies that neither party shall be obligated to reimburse the other for its response. The term of the agreement is until June 30, 2017 with a 90-day termination notice. A map of the agreement areas is shown below:

[1] ICEMA is a joint powers authority composed of the Counties of San Bernardino, Mono, and Inyo with the San Bernardino County Board of Supervisors as the ex-officio ICEMA Board of Directors.
[2] Inland Counties Emergency Medical Agency, 5 Feb 2008, County Board Agenda Item 52.
[3] County of San Bernardino, Board of Supervisors, Agreement No. 12-284, 22 May 2012, Agreement No. 12-284, Agenda Item 79



Source: County of San Bernardino

2012 Sphere of Influence Expansion

As a part of the 2012 service review/sphere update, the Commission expanded the district's sphere to the west based upon discussion with the district that it provided fire and emergency response to the area under agreement with the County. It appears that there is no automatic agreement for this area and the response is simply that of mutual aid, which would not necessitate an expanded sphere. Unless this circumstance changes, as a part of the district's next service review a sphere reduction to reflect its service area will be evaluated.

State Responsibility Area

The entire community is within a State Responsibility Area, and thus is subject to the State Responsibility Area Fire Prevention Fee. Wildland fires are under the jurisdiction of the California Department of Forestry and Fire Protection (Cal Fire) and the U.S. Forest Service, both not subject to LAFCO jurisdiction. The closest fire stations beyond the Morongo Valley community are CDF's Yucca Valley Station (Station #121) and County Fire's Station #41 (Yucca Valley Station). Other stations nearby that could also respond are County Fire's Stations #36 (Joshua Tree Station) and #38 (Pioneer Town Station), the

National Park Service Black Rock Interagency Fire Center (Station #608), and the Riverside County Fire Department Stations #36 and #37 (Desert Hot Springs Fire Stations).

Disadvantaged Unincorporated Community

The Morongo Valley community is considered a disadvantaged unincorporated community – identified as communities that have an annual median household income that is less than 80 percent of the statewide annual median household income, which is under $48,305 for 2015 (defined by Government Code Section 56302). The district overlays parts of five Census Block Groups, whose annual median household incomes range from $34,311 to $$45,986.

WHAT THE DISTRICT DID NOT REVEAL DURING THE 2012 SERVICE REVIEW

2012 Service Review Determination

In 2012 LAFCO conducted a service review of the district and made the required determinations outlined in Government Code Section 56430. The following is an excerpt from the conclusion to Determination IV, Financial Ability of Agencies to Provide Services:

> In reviewing the District's financial statements, net assets have increased by 38% since FY 2006-07. During the past five years Total Assets have increased by 23% and Total Liabilities have decreased by 74%. From the Net Assets perspective, the financial heath the District overall has increased during the past five years. Additionally, the fund balance has increased by 124% since FY 2006-07 with Total Revenues increasing by 25% and Total Expenditures increasing by 63%. The CSD maintains unrestricted fund balance in its general fund of more than two months of regular general fund operating revenues or expenditures. Therefore, given the data provided by the CSD, the CSD is likely to be able to continue providing service at its current level through 2014-15.

Given the information provided to LAFCO at that time, the financial ability of the agency was not a concern.

Matters Revealed to LAFCO staff in 2015

The interviews conducted by LAFCO staff in January and April 2015 revealed management issues related to the district's operations and finances going back many years during the tenure of previous general managers. Items of significance include:

- Previous misuse of grant funds. The funds from some grants were not used for the intended purpose which resulted in the district being blacklisted from future grant applications. This circumstance artificially inflated the fund balance. To regain eligibility for grant funding required the closing of the previous grants, which meant that the district had to spend other funds (roughly $11,000) to comply with the original grant purpose.

- From 2009 through 2012, the District deferred capital and maintenance expenditures which artificially inflated the fund balance. Over the past two years roughly $34,500

has been spent on trimming trees and reroofing the maintenance shed, firehouse dorm, and park pavilion.

- Whistle blower and hostile work environment lawsuits which included undisclosed settlements. The breakdown of property liability claims for a ten year period from 2004-05 through 2013-14 is summarized below:

Claim Type	# of Claims	Total Incurred
General Bodily Injury	3	$ 22,852
Employment Practices Liability	3	$ 279,189
Auto Property Damage	1	$ 2,523
Auto Comprehensive	1	$ 755
Theft	2	$ 10,329
Total	**10**	**$ 315,648**

Based upon the district's loss history, the Special Districts Risk Management Authority ("SDRMA") increased the deductible for any employment practice claims occurring after July 1, 2014 from $5,000 to $25,000.

- In 2014, a SDRMA representative conducted a site-visit and issued a 63-page report on liability and risk exposure. The district states that it now complies with its OSHA issues which required roughly $11,500 to come into compliance.

- To balance the FY 2013-14 budget, the District used $105,000 from cash carried over from the prior year.

- FY 2014-15 began with a $105,000 deficit – the same deficit as the previous year.

It was agreed by all those at the January site visit that with all things remaining equal and constant that the district would exhaust all funds within two years.

POST 2011-12 AUDIT FINANCIAL REVIEW (2012-13 & 2013-14 AUDITS, 2014-15 BUDGET)

For FY 2010-11 and FY 2011-12 the district operated within its means, although on artificial terms as identified above. However, beginning FY 2012-13 the District began to operate with an annual deficit as operating expenses increased while revenues decreased. A copy of the FY 2012-13 audit is included as Attachment #2 to this report.

The first chart below shows the District's activities including revenue detail, expenditure detail, and fund balance. As shown, revenues have experienced minor fluctuations; however, expenditures related to fire operations, particularly compensation, have increased significantly, coupled with paying unbudgeted monies to rectify the proper closing of grants and OSHA issues.

As a result, the change in fund balance for the past three audited years has been 4.2%, (16.9%), and (23.9%). The adopted budget for 2014-15 began with roughly a $105,000 deficit – the same deficit as the previous year. A copy of the FY 2014-15 budget is included as Attachment #3 to this report.

The subsequent charts show fiscal data, each showing a downward trend.

MORONGO VALLEY CSD

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Budget
Revenues:				
Property tax	366,739	365,836	363,061	360,452
Fire assessment	286,528	292,076	313,913	300,535
Grant income	31,971	10,425	11,517	3,500
Fire service				
Cost Recovery	400	1,110	1,818	6,000
OES Reimbursement	-	7,602	22,270	15,000
Fire Inspections	325	510	1,394	2,500
Donations	817	2,193	9,792	400
Other	-	3,526	-	2,400
Total Fire Service	1,542	14,941	35,274	26,300
Park revenue	3,332	4,280	9,398	5,000
Other	22,290	6,799	5,500	11,834
Total Revenues	$ 712,402	$ 694,357	$ 738,663	$ 707,621
Expenditures:				
General government	169,161	181,719	189,608	120,123
Fire operations				
Operating Supplies	15,463	17,725	15,812	17,650
Training & Safety	5,626	24,467	35,592	33,550
Administration	23,474	21,497	41,001	34,525
Apparatus	94,365	59,309	64,253	64,900
Compensation	342,753	398,366	448,410	495,031
Total Fire Operations	481,681	521,364	605,068	645,656
Park & recreation	22,315	33,523	46,520	37,850
Streetlights	4,030	4,237	4,039	4,000
Debt service/replacement	12,313	1,456	5,818	5,816
Total Expenditures	$ 689,500	$ 742,299	$ 851,053	$ 813,445
Revenues less Expenditures:	**$ 22,902**	**$ (47,942)**	**$ (112,390)**	**$ (105,824)**
Fund Balances, Beginning	542,444	517,511*	469,569	357,179
Fund Balances, Ending	$ 565,346	$ 469,569	$ 357,179	$ 251,355
Change from prior year	4.2%	-16.9%	-23.9%	-29.6%

* 2012-13 Fund Balance had adjustment to Beginning Balance of ($47,836)

Assessed Value and Property Tax

As shown below, assessed value declined for five consecutive years which led to a corresponding decline in property tax revenues received. As this revenue source is relatively stable and lags about two years behind changes in market conditions, this indicator can potentially illustrate 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.

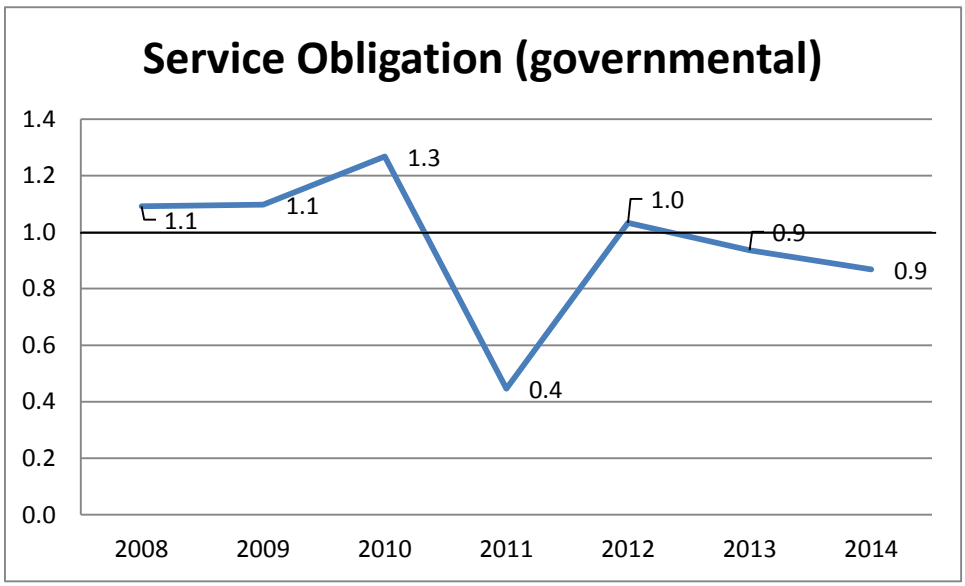
However, the fire assessment is not tied to assessed value and enjoyed annual gains over the same timeframe.

Year	Assessed Value		Tax Received		Assessment Received	
	Valuation	% change	Total Tax	% change	Total	% change
2007-08	$ 219,980,152	16.8%	$ 438,520	15.2%	$ 214,573	7.4%
2008-09	$ 226,288,922	2.9%	$ 439,874	0.3%	$ 263,798	22.9%
2009-10	$ 211,888,756	-6.4%	$ 420,263	-4.5%	$ 269,762	2.3%
2010-11	$ 194,095,885	-8.4%	$ 383,400	-8.8%	$ 280,605	4.0%
2011-12	$ 186,380,022	-4.0%	$ 366,739	-4.3%	$ 286,528	2.1%
2012-13	$ 184,029,593	-1.3%	$ 365,836	-0.2%	$ 292,076	1.9%
2013-14	$ 179,691,565	-2.4%	$ 363,061	-0.8%	$ 313,913	7.5%
2014-15	$ 188,970,893	5.2%	$ 369,483	1.8%	$ 300,606	-4.2%

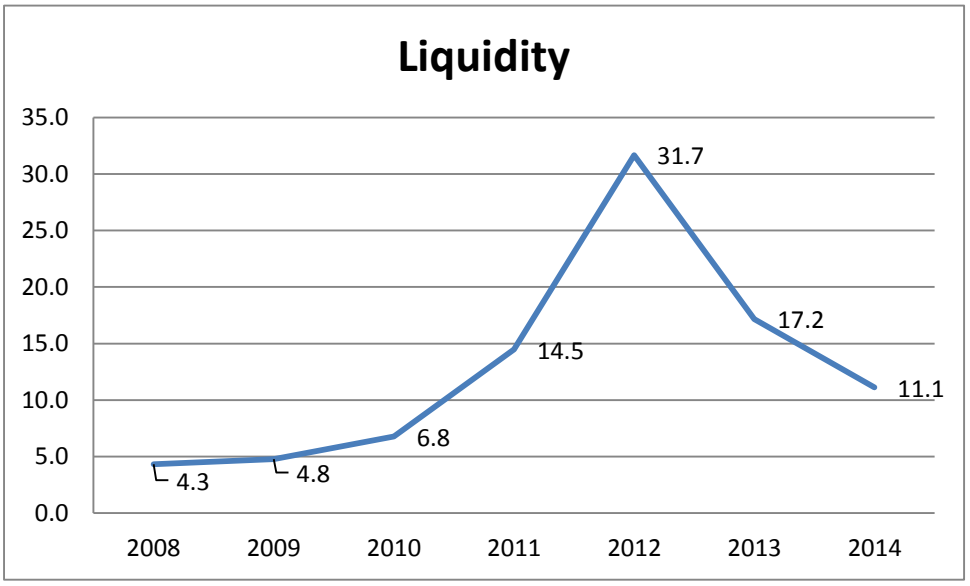
sources:
County of San Bernardino, Agency Net Valuations
Morongo Valley CSD audits, 2014-15 year-end estimate

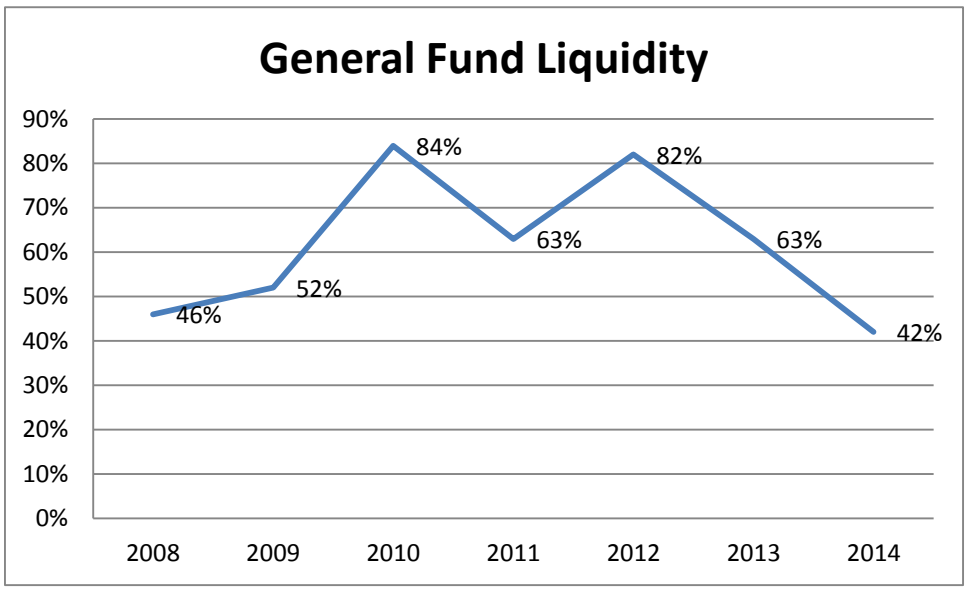
Service Obligation

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 is annual revenues.



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. The second figure isolates Liquidity for the General Fund of the agency (not to include fire operations).





Fire Department Staffing

Focusing on the staffing of the fire department, the district implemented a top-heavy staffing model, as shown in the figure below.

Position	2010-11	2011-12	2012-13	2013-14	2014-15
Chief	1	1	1	1	1
Deputy Chief	0	0	0	0	0
Division Chief	1	1	0	0	0
Captain	0	0	1	2	3
Full time fire fighters/paramedics	2	2	2	3	3
Part time fire fighters/paramedics	1	1	1	0	0
Full time engineers	2	2	2	3	3
Part time engineers	1	1	1	0	0
Emergency Medical Services Coordinator	0	0	0	1	1
Reserves	5	5	7	14	14
Personnel Cost	$276,682	$280,062	$300,222	$332,222	$404,051

The position voiced to LAFCO staff by some related to the district that higher fire call volume necessitated the increase in fire personnel. As shown in the chart below, overall response calls increased from 2011 to 2014 by 20%. Looking closer at the response data, the vast majority of the call increase is related to medical aid calls, which generally comes from district residents, rather than increased traffic as voiced by some in the community.

Call Type	2011	2012	2013	2014
Medical Aid	290	321	357	380
Traffic Collisions	64	51	63	58
Fire Residential	12	14	26	29
Fire Commercial	18	13	14	7
Fire Vehicle	9	16	16	13
Fire Debris	11	17	6	14
Fire Wildland	14	17	11	27
Fire Refuse	0	0	0	0
Public Assistance	34	41	34	29
Investigation	44	71	34	31
Hazard Materials	5	7	9	6
Other	3	4	15	9
TOTAL	**504**	**572**	**585**	**603**

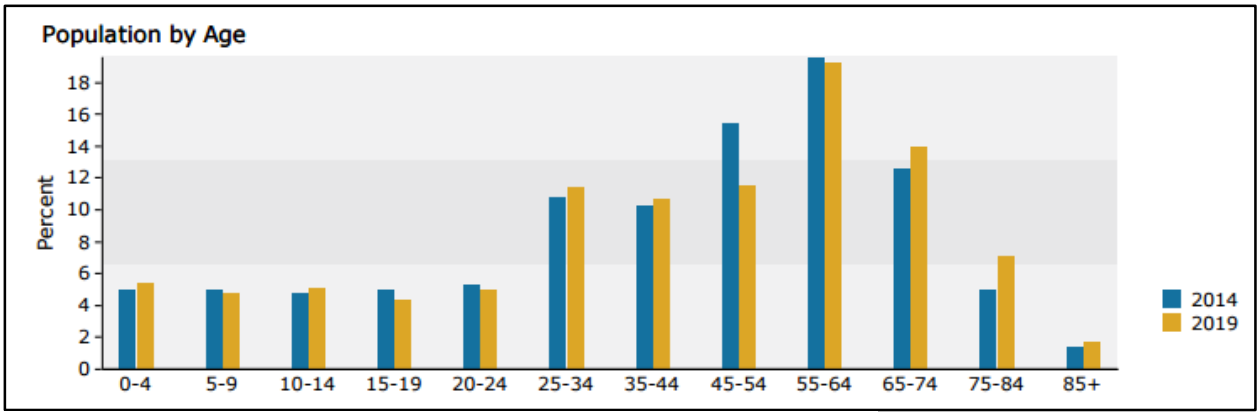
As to why medical call increased by 20% during this timeframe is not readily evident. A review of traffic count data from the State Department of Transportation identifies virtually no change in average daily traffic volume (20,500 daily trips) or hourly peak flow (2,050) since 2008 at the intersection of Highway 62 and Pioneer/East Drives.[4] Therefore, an increase in traffic has not been a factor in the increase of fire operations. The map included as Attachment #4 to this report illustrates the average daily traffic volume along Highway 62.

Further, from 2000 to 2014 the total population of Morongo Valley has increased less than one percent annually and nominally in raw numbers by 460. Population projections through 2019 continue at less than one percent annual growth rate. Therefore, population growth has not been a factor in the increase of fire operations.

Census			Estimate	Projection
1990	2000	2010	2014	2019
2,631	3,130	3,543	3,590	3,682

The population distribution by age, skewed towards ages 45-74, may signify the high number of medical calls but not necessarily the increase in medical calls. Nonetheless, even with the increase in medical aid calls, the increase in staffing has strained the resources of the district while revenues have not increased in kind.

[4] California Department of Transportation. Traffic Census. http://traffic-counts.dot.ca.gov. Accessed 21 April 2015.



Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2014 and 2019.

POST 2012 AUDIT FINANCIAL REVIEW (2014-15 YEAR-END ESTIMATE AND 2015-16 ADOPTED BUDGET)

District Taking Action

The District board in general and the general manager in particular have been aware of the financial situation and have taken measures to reduce costs during FY 2014-15. During the budget cycle for FY 2015-16, the most pressing issue to face the district for some time was to adopt a sustainable budget.

The general manager has voluntarily reduced the compensation of her position more than once as well as additional scrutiny of all expenditures. Further, the fire chief entered worker's compensation in the second half of the year, resulting in roughly two-thirds of the fire chief salary being paid from worker's compensation insurance. As for revenues, the district responded to calls from the State to engage in wild land fires; these responses resulted in reimbursement to the district of $94,769.

The district has acknowledged that the structure of its fire personnel has been top-heavy for the past few years. The figure below illustrates the fire personnel activity with cost since 2010-11 with the budgeted activity for 2015-16. As shown, the district has restructured its fire staffing. As a part of its 2015-16 budget, but implemented in April 2015, the district has moved from four personnel on all calls to three personnel.

Position	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Chief	1	1	1	1	1	1
Deputy Chief	0	0	0	0	0	1
Division Chief	1	1	0	0	0	0
Captain	0	0	1	2	3	0
Full time fire fighters/paramedics	2	2	2	3	3	3
Part time fire fighters/paramedics	1	1	1	0	0	0
Full time engineers	2	2	2	3	3	3
Part time engineers	1	1	1	0	0	0
Emergency Medical Services Coordinator	0	0	0	1	1	1
Reserves	5	5	7	14	14	7
Personnel Cost	$276,682	$280,062	$300,222	$332,222	$404,051	$327,540

It took all the expense cutting measures, the reduction in pay by the district for the fire chief due to worker's compensation, and the high amount of variable reimbursement by the State in order for the district to end 2014-15 with revenues over expenditures by an estimated $9,468. As for the upcoming 2015-16 budget year, the district has budgeted conservatively for revenues with expenditures returning near to 2011-12 levels. It appears that the district has adopted a sustainable budget for 2015-16.

MORONGO VALLEY CSD	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Budget	2014-15 Year-end Estimate	*2015-16 Budget*
Revenues:						
Property tax	366,739	365,836	363,061	360,452	369,483	*369,483*
Fire assessment	286,528	292,076	313,913	300,535	300,606	*302,932*
Grant income	31,971	10,425	11,517	3,500	15,559	*10,000*
Fire service						
Cost Recovery	400	1,110	1,818	6,000	2,917	*4,000*
OES Reimbursement	-	7,602	22,270	15,000	94,769	*22,000*
Fire Inspections	325	510	1,394	2,500	1,702	*2,400*
Donations	817	2,193	9,792	400	3,882	-
Other	-	3,526	-	2,400	17,454	-
Total Fire Service	1,542	14,941	35,274	26,300	120,724	*28,400*
Park revenue	3,332	4,280	9,398	5,000	5,983	*5,000*
Other	22,290	6,799	5,500	11,834	5,648	*3,334*
Total Revenues	$ 712,402	$ 694,357	$ 738,663	$ 707,621	$ 818,003	*$ 719,149*
Expenditures:						
General government	169,161	181,719	189,608	120,123	142,157	*117,175*
Fire operations						
Operating Supplies	15,463	17,725	15,812	17,650	9,574	*11,650*
Training & Safety	5,626	24,467	35,592	33,550	11,768	*17,000*
Administration	23,474	21,497	41,001	34,525	27,697	*28,650*
Apparatus	94,365	59,309	64,253	64,900	60,320	*57,350*
Compensation	342,753	398,366	448,410	495,031	512,960	*446,458*
Total Fire Operations	481,681	521,364	605,068	645,656	622,319	*561,108*
Park & recreation	22,315	33,523	46,520	37,850	35,067	*31,050*
Streetlights	4,030	4,237	4,039	4,000	4,183	*4,000*
Debt service/replacement	12,313	1,456	5,818	5,816	4,849	*5,816*
Total Expenditures	$ 689,500	$ 742,299	$ 851,053	$ 813,445	$ 808,575	*$ 719,149*
Revenues less Expenditures:	**$ 22,902**	**$ (47,942)**	**$ (112,390)**	**$ (105,824)**	**$ 9,428**	***$ -***
Fund Balances, Beginning	542,444	517,511*	469,569	357,179	357,179	*366,607*
Fund Balances, Ending	$ 565,346	$ 469,569	$ 357,179	$ 251,355	$ 366,607	*$ 366,607*
Change from prior year	4.2%	-16.9%	-23.9%	-29.6%	2.6%	*0.0%*

* 2012-13 Fund Balance had adjustment to Beginning Balance of ($47,836)

LAFCO FIVE-YEAR FORECAST

Utilizing conservative revenue growth (two percent annual increase in property tax receipts) and inflation to categories sensitive to inflation, LAFCO staff provides a forecast for the next five years. As shown, the forecast for 2017 and 2018 does not result in even nominal annual revenue gains – the forecast is basically a break-even scenario. As identified for the

FY 2014-15 estimated year-end, it took painstaking measures and additional State reimbursement revenue to barely break-even for the year. In 2019 the outstanding loan for the fire admin vehicle matures and the roughly $5,800 annual burden is removed.

MORONGO VALLEY CSD	**2015-16 Budget**	***2016-17 LAFCO Forecast***	***2017-18 LAFCO Forecast***	***2018-19 LAFCO Forecast***	***2019-20 LAFCO Forecast***	***2020-21 LAFCO Forecast***
Revenues:						
Property tax	369,483	*376,873*	*384,410*	*392,098*	*399,940*	*407,939*
Fire assessment	302,932	*308,991*	*315,170*	*321,474*	*327,903*	*334,461*
Grant income	10,000	*10,000*	*10,000*	*10,000*	*10,000*	*10,000*
Fire service						
Cost Recovery	4,000	*4,000*	*4,000*	*4,000*	*4,000*	*4,000*
OES Reimbursement	22,000	*22,000*	*22,000*	*22,000*	*22,000*	*22,000*
Fire Inspections	2,400	*2,448*	*2,497*	*2,547*	*2,598*	*2,650*
Donations	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Fire Service	28,400	*28,448*	*28,497*	*28,547*	*28,598*	*28,650*
Park revenue	5,000	*6,000*	*6,500*	*7,000*	*7,000*	*7,000*
Other	3,334	*5,000*	*5,000*	*$ 5,000*	*$ 5,000*	*$ 5,000*
Total Revenues	$ 719,149	*$ 735,311*	*$ 749,578*	*$ 764,119*	*$ 778,441*	*$ 793,050*
Expenditures:						
General government	117,175	*119,519*	*121,909*	*124,347*	*126,834*	*129,371*
Fire operations						
Operating Supplies	11,650	*11,883*	*11,882*	*11,881*	*11,880*	*11,879*
Training & Safety	17,000	*17,340*	*17,687*	*18,041*	*18,401*	*18,769*
Administration	28,650	*29,223*	*29,807*	*30,404*	*31,012*	*31,632*
Apparatus	57,350	*58,497*	*59,667*	*60,860*	*62,077*	*63,319*
Compensation	446,458	*455,387*	*464,495*	*473,785*	*483,260*	*492,926*
Total Fire Operations	561,108	*572,330*	*583,538*	*594,970*	*606,631*	*618,525*
Park & recreation	31,050	*31,671*	*32,304*	*32,951*	*33,610*	*34,282*
Streetlights	4,000	*4,000*	*4,000*	4,250	4,250	4,250
Debt service	5,816	*5,816*	*4,362*	-	-	-
Total Expenditures	$ 719,149	*$ 733,336*	*$ 746,113*	*$ 756,518*	*$ 771,324*	*$ 786,427*
Revenues less Expenditures:	**$ -**	***$ 1,976***	***$ 3,464***	***$ 7,601***	***$ 7,117***	***$ 6,623***
Fund Balances, Beginning	366,607	*366,607*	*368,583*	*372,047*	*379,648*	*386,765*
Fund Balances, Ending	$ 366,607	*$ 368,583*	*$ 372,047*	*$ 379,648*	*$ 386,765*	*$ 393,388*
Change from prior year	0.0%	*0.5%*	*0.9%*	*2.0%*	*1.9%*	*1.7%*

Caveats

The projections identified in the figure above assume that funding, equipment, and personnel remain equal and constant. However, four variables can result in budget challenges for the district, ranging from severe to moderate.

1. Replacement of Current Fire Truck. According to the CSD's website, "Morongo Valley does not have enough financial resources to purchase a critically needed 4 x 4 all-terrain fire/medic engine to replace the current engine". The district fire truck is a 2001 model with roughly 100,000 miles, and the backup is a 1992 truck. The district does not have enough funds to outright purchase a truck and given its financial condition it would not be prudent to lease or enter into a purchase loan. Realizing its predicament, the district is holding funding campaigns as well as allowing advertisement on the trucks to gain additional revenue. Should the district gain significant additional funds from funding campaigns, advertisement, or reimbursement from the State for sending strike teams to wild land fires, the burden of a new fire truck would be lessened. ($500,000)

2. Wild land Fire Truck is Recalled. A federal program provides the district with a wild land fire truck (brush engine) for use in wild land fires. The terms of the arrangement stipulate that the district can request reimbursement for its response to wild land fires. Additionally, the district may only use the truck for domestic response (structure fires, medical) for only 20% of the truck's use. Should the federal program cease, the recall of the brush engine would remove a revenue source as well as remove a backup fire truck.

3. Replacement of Current General Manager. The current general manager has voluntarily decreased her salary by roughly $15,000 in order to balance the budget. Should the need arise to fill the position, returning the salary to the previous figure may be necessary to recruit a general manager with the skill level required of the position.

4. Any other Major Expense. There is little to no room for any other major expense such as a new roof or replacement of the fire admin vehicle. Due to the age of the facilities and the recent actions to rectify deferred maintenance (trimming trees and reroofing of three facilities), it is a matter of when, not if, major expenses will occur.

As it is should have, the district did not adopt its 2015-16 budget anticipating variable revenues in large amounts. Rather, it prudently adopted what appears to be a sustainable budget. Should the demise of the fire truck necessitate action before adequate funds are available to either outright purchase or mitigate the financial effects of such a purchase, then the sustainability of the district and the adequacy of its fire protection and emergency response services would be of paramount concern.

Thinking Ahead

In addition to fund raising and possible advertisement on the trucks, the district is entering into discussions with Copper Mountain College in Joshua Tree whereby the college's fire

program would train and pay for entry level fire personnel for the district as part of a college credit/work program. If this possibility comes to fruition, it would add flexibility to the district's strained budget.

OPTIONS FOR FUTURE ACTION:

This special study does not include a service review or sphere of influence update. Therefore, there is no mandatory action for the Commission to take other than receive and file this report.

However, should the Commission choose, it can initiate a sphere of influence review to include analysis of designating of a zero sphere of influence, thereby signaling that a future change of organization take place. By designating a zero sphere, the Commission's desire would be that an overlying or adjacent agency would potentially assume the district's services:

- San Bernardino County Fire Protection District and its South Desert Service Zone (adjacent - fire protection and emergency medical response)

- County Service Area 70 (overlying - park and recreation, streetlights)

Realistically, assumption of fire protection and emergency medical response by County Fire may result in a decrease of service since the property tax generated within the district's boundary may not be adequate for County Fire to operate the Morongo Valley station as a full-time staffed station.

Rather, it is hoped that the district continues to govern with realistic service expectations. LAFCO staff's position is that the Commission continues to monitor the district's financial position and sustainability for the next three years by requesting the district to provide LAFCO with its adopted annual budget, mid-year financial report, and financial statements.

CONCLUSION:

The cost cutting measures taken by the district which included reorganization of the fire department staffing have staved off further declines in its fund balance. As it is should have, the district did not adopt its 2015-16 budget anticipating variable revenues in large amounts. Rather, it prudently adopted what appears to be a sustainable budget. Should the demise of the fire truck necessitate action before adequate funds are available to either outright purchase or mitigate the financial effects of such a purchase, then the sustainability of the district and the adequacy of its fire protection and emergency response services would be of paramount concern.

Should the district desire to increase the levels of its current services or expand the range of services, additional revenue sources would need to be obtained. The district should consider placing a ballot measure to convert its current benefit assessment into a special tax with an annual inflation factor as a special tax would not be subject to an annual engineering report and annual exposure to being challenged. Further, an election to

convert the assessment to a special tax could request an increased tax in order to augment fire protection and paramedic service. The District indicates that consideration of any ballot measure would not take place until all the mechanisms are in place to ensure that it annually operates with a sustainable budget and properly governs within that budget.

For this special study LAFCO staff recommends that the Commission:

- Continue to monitor the Morongo Valley Community Services District's financial position and sustainability by requesting the district to provide LAFCO with its adopted annual budget, mid-year financial report, and financial statements for the next three years, and

- Direct LAFCO staff to monitor and update the Commission biannually for the next three years regarding the district's financial position and sustainability.

As a part of the next scheduled service review for the district, LAFCO will review the district's progress on the matters identified in this special study. Further, as a part of the 2012 service review/sphere update, the Commission expanded the district's sphere to the west based upon discussion with the district that it provided fire and emergency response to the area under agreement with the County. It appears that there is no automatic agreement for this area and the response is simply that of mutual aid, which would not necessitate an expanded sphere. Unless this circumstance changes, as a part of the district's next service review a sphere reduction to reflect its service area will be evaluated.

KRM/MT

Attachments:

1. Letter to LAFCO dated August 11, 2014 from a Director of the Morongo Valley CSD
2. FY 2013-14 and 2012-13 Financial Statements
3. FY 2015-16 Adopted Budget
4. Traffic Count Map
5. LAFCO Resolution No. 3168 Reflecting Determinations for LAFCO 3151 from November 2012 - Service Review and Sphere of Influence Update for the Morongo Valley Community Services District

Morongo Valley CSD
Resolution Calling for Election

Attachment 4

Morongo Valley
COMMUNITY SERVICES DISTRICT & FIRE DEPARTMENT

RECEIVED
FEB 09 2016
LAFCO
San Bernardino County

February 1, 2016

LAFCO
Michael Turpe
215 "D" Street #204
San Bernardino, CA 92415-0490

To Whom It May Concern:

Enclosed please find a copy of the following:

RESOLUTION NO. 1-1-16 APPROVED AT BOARD MEETING JANUARY 19, 2016.

Donna Munoz
General Manager

11207 Ocotillo Street • P.O. Box 46 • Morongo Valley, CA 92256
Phone: 760.363.6454 mvcsd@roadrunner.com Fax: 760.363.6774

RESOLUTION NO. 1-1-2016

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MORONGO VALLEY COMMUNITY SERVICES DISTRICT CALLING AN ELECTION ON JUNE 7, 2016, TO CONVERT EXISTING PROPERTY ASSESSMENT INTO AN INCREASED SPECIAL TAX; ESTABLISHING A DEADLINE DATE FOR RECEIPT OF WRITTEN ARGUMENTS FOR AND AGAINST THE MEASURE; AND REQUESTING CONSOLIDATION WITH ANY AND ALL ELECTIONS TO BE HELD IN THE SAME TERRITORY ON THAT SAME DATE

WHEREAS, the Morongo Valley Community Services District ("the District") is a Community Services District located within the County of San Bernardino and organized and operating pursuant to California Government Code Section 61000 et seq.; and

WHEREAS, the District is currently authorized by the Local Agency Formation Commission for San Bernardino County ("LAFCO") to provide the functions of streetlighting, fire protection, park and recreation, and library service;

WHEREAS, in response to declining numbers of volunteer firefighters and community concerns regarding lengthy response times by the ambulance assigned to the area, the District's Board of Directors ("Board") adopted Resolution Nos. 02-07 and 02-09 on May 23, 2002, proposing the formation of a fire suppression district and the establishment of a property benefit assessment pursuant to Government Code Section 50078 et seq.;

WHEREAS, the District conducted an assessment ballot proceeding on August 6, 2002, in accordance with the provisions and requirements of Article XIIID of the California Constitution, and the electorate approved the Morongo Valley Fire and Rescue Assessment ("the Assessment");

WHEREAS, the amount of the Assessment levied on real property within the District is allocated based upon the relative benefit to the property in relation to a single family home, the type of property, and its size, adjusted for inflation capped at three percent (3%) each year;

WHEREAS, beginning in 2014, LAFCO conducted a special study of the District's finances and on July 1, 2015, issued a report recommending that the District consider placing a ballot measure to convert its current benefit assessment into an increased special tax, with an annual inflation factor, in order to augment the District's fire protection and paramedic service;

WHEREAS, the Board subsequently formed the Fire Department Funding Committee ("Committee") which conducted several open and public meetings and received community input concerning various financing options to fund the District's fire protection and paramedic services;

WHEREAS, the Committee has recommended to the Board that the Assessment be converted into a special tax in the amount of $350 each year, adjusted for inflation, to be assessed on all taxable real property within the District; and

WHEREAS, it is the desire of the Board to conduct an election on June 7, 2016, for the purpose of converting the Assessment into an increased special tax, to request consolidation with any and all other elections to be held in the same territory on that same date, and to assist the County of San Bernardino as necessary to assure consolidation.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Morongo Valley Community Services District as follows:

1. An election shall be conducted within the District on June 7, 2016, to submit to the voters a measure to convert the Assessment into a special parcel tax of $350 per year, adjusted for inflation, on all taxable real property within the District.

2. Measure "_____" to be submitted to the voters shall be as follows:

Measure "_____"		
Shall the Morongo Valley Fire and Rescue Assessment be converted into a special parcel tax of $350 per year, adjusted for inflation, to use in funding fire protection and paramedic services provided by the Morongo Valley Community Services District?	YES	
	NO	

3. Measure "_____" shall pass only if approved by two-thirds of the qualified voters voting in an election to be held on June 7, 2016, and the special tax described herein shall be deemed established and shall be in effect as of the day following the election, upon certification by the San Bernardino County Registrar of Voters of the election results evidencing such approval. In the event Measure "_____" shall not pass, the Assessment shall remain in full force and effect.

4. If approved, the special tax shall be levied against all taxable real property within the District beginning with the 2016-17 fiscal year. The special tax shall be used solely for the purpose of providing fire suppression, protection, prevention, rescue, advance life support paramedics, and other emergency services within the District which the District is authorized by law to provide, for any responses outside of the District under mutual aid agreements with other fire suppression or emergency service agencies, and for any incidental expense relating thereto including expenses related to the collection of the tax.

5. The special tax shall be deemed to be automatically levied as of the date of July 1 of each year, beginning with July 1, 2016. Unless otherwise ordered pursuant to a resolution adopted by the Board, the special tax shall annually be adjusted for inflation each fiscal year based upon the consumer price index for the Los Angeles / Riverside / Orange County region taken from the United States Department of Labor, and shall be collected on the County of San Bernardino property tax bill in the same manner, and subject to the same penalty, as the county property taxes are collected. The Board shall annually take such steps as are necessary to have the special tax collected through the property tax bill and shall coordinate with the County Auditor and the County Tax Collector in this regard.

6. The deadline date of March 24, 2016, at 5:00 p.m., is hereby established for receipt of written arguments for or against the Measure. The deadline date of March 29, 2016, at 5:00 p.m., is hereby established for the receipt of rebuttal arguments. Written arguments and rebuttals may be submitted by a member of the District's Board of Directors, any voter or bona fide association of

voters within the District, or any combination thereof. Written arguments shall not exceed 300 words in length, and rebuttals shall not exceed 250 words in length. Such arguments and rebuttals shall be filed with the San Bernardino County Registrar of Voters located at 777 E. Rialto Avenue, San Bernardino, California 92415-0770. The written arguments and rebuttals must be accompanied by Statement Form 9600. For information, call: Donna Munoz, General Manager of the District, at (760) 363-6454, during regular business hours.

7. The San Bernardino County Board of Supervisors is hereby requested to order that the election on this Measure be consolidated with any and all elections in the same territory to be conducted on June 7, 2016, and that the San Bernardino County Registrar of Voters conduct the election for the District. The District shall reimburse the County of San Bernardino for services rendered in connection with the election upon presentation to the District of a properly approved bill. The District shall further assist the County of San Bernardino, as needed, to prepare for and conduct the consolidated election with the District.

8. The election will be held and conducted, election officers appointed, voting precincts designated, ballots printed, polls opened and closed, ballots counted and returned, returns canvasses, results declared, certificates of election issued and all of the proceedings incidental to and connected with the election shall be regulated and done in accordance with the provisions of law regulating the election with which the District election is consolidated.

9. The Secretary of the District's Board of Directors is hereby instructed to file certified copies of this Resolution with the Clerk of the Board of Supervisors of San Bernardino County and with the San Bernardino County Registrar of Voters on or before 5:00 p.m. on March 11, 2016. The Secretary shall also cause this Resolution to be published in the Hi-Desert Star, a newspaper of general circulation printed and published in the District. The District's General Manager and legal counsel are authorized and instructed to take such

further action as may be necessary in preparing for and conducting the consolidated election.

ADOPTED this 19th day of January, 2016.

AYES: SWARAT, TOLBERT, CAMPOS, BROOK
NOES: LOWE
ABSTAIN: 0
ABSENT: 0

Joseph Swarat
President, Board of Directors

ATTEST: Donna Mundo
Secretary

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
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DATE: **FEBRUARY 10, 2016**

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

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item #11 – Status Report on Rim of the World Recreation and Park District**

RECOMMENDATION:

Staff recommends that the Commission:

1. Set another status report for presentation at the August 2016 hearing; and,

2. Note receipt of the Status Report and file.

BACKGROUND:

At the July 2010 hearing the Commission completed its service review for the Rim of the World Recreation and Park District ("District") through adoption of Resolution No. 3095. The Commission identified a number of financial issues which prompted it to question the District's financial solvency at that time. The District has satisfied all of the conditions outlined in the Commission's resolution from the service review, and many of the questions and concerns identified by the Commission are being addressed.

At the March 2015 scheduled update, the Commission determined that it would be prudent to continue monitoring the District for one additional year. As indicated in the staff report from March 2015, although the District has made great strides in operational management and its finances, the Commission should review another year's worth of data since it takes a few years for changes to come to fruition such as management changes at the District, hiring of a financial position, and assimilating budget cuts.

The following is the conclusion from the previous status update, August 2015.

> The District's financial situation seems to be improving after years on unsure ground. The District has made strides in its financial reporting, and the hope is that continuing attention to its governance and financial issues

will preclude the problems of the past from resurfacing as its special tax is a flat rate without benefit of inflationary increases. However, more understanding and timely reporting of reserves and fund balances are needed as well as assurances that maintenance of the District's facilities are not being defunded.

The District has two more status reports scheduled: February 2016 (2014-15 audit and 2015-16 mid-year) and August 2016 (2015-16 year-end and 2016-17 budget).

CURRENT UPDATE ANALYSIS:

This status update will review the FY 2014-15 audit and FY 2015-16 mid-year position to include reporting of its reserves and fund balances.

FY 2014-15 Audit and Fiscal Indicators

The District provided LAFCO staff with its FY 2014-15 year-end estimates for the August status update. Therefore, the Commission is aware of the financial status of the District up to that point. The following is a review of the District's financial position from its audited financial statements. On the whole, the financial position of the District is improving and the following information points to sustainability.

Fund Balance

For the past four years, the fund balance of the District has improved. In turn, reserve levels exceed the minimum recommended level of 10% of expenditures. As of June 30, 2015, the decrease in patronage of the District's childcare service has leveled.

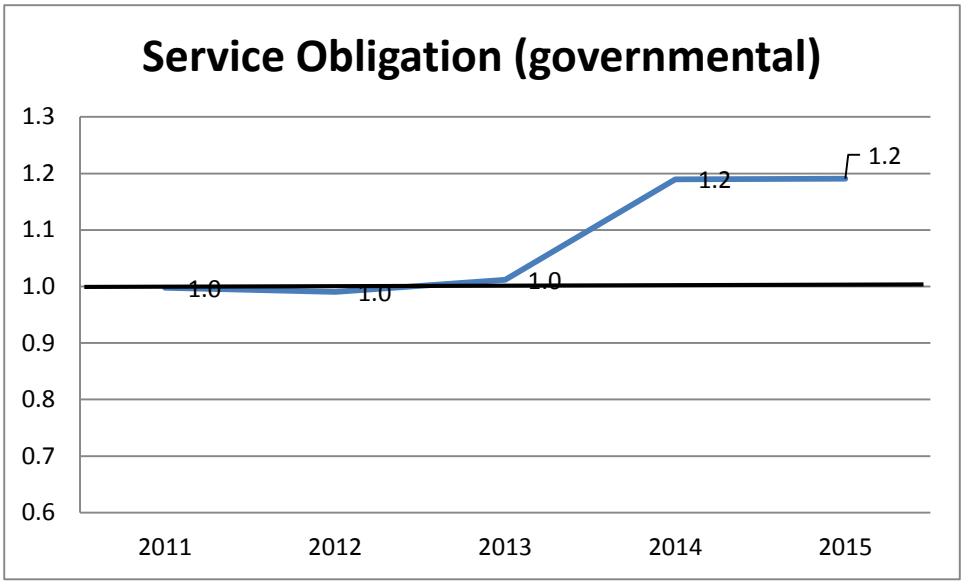
	AUDITS For the Year Ended June 30			
	2011-12 Restated	2012-13 Restated	2013-14	2014-15
REVENUE				
Special Tax Proceeds	$736,369	$757,828	$769,139	$784,182
Delinquent Tax and Interest	9,762	9,370		
Rents and Concessions	74,695	80,932	96,627	93,864
Intergovernmental	39,950			
Charges for Service:				
Recreation	144,800	158,881	151,436	128,444
Childcare	179,111	141,512	108,025	109,010
Contributions and Donations	470		3,280	5,018
Other	8,254	2,495	9,964	4,313
TOTAL REVENUES	**$1,193,411**	**$1,151,018**	**$1,138,471**	**$1,124,831**
EXPENDITURES				
Administration:				
Salaries and Benefits	$264,961	$310,312	$322,206	$341,618
Services and Supplies	266,803	167,010	130,325	141,594
Utilities	74,540	83,960		
Total Administration	606,304	561,282	452,531	483,212
Recreation				
Salaries and Benefits	51,734	48,832	25,436	31,572
Services and Supplies	98,394	230,062	270,435	207,177
Total Recreation	150,128	278,894	295,871	238,749
Child Care:				
Salaries and Benefits	149,828	129,979	133,152	114,939
Services and Supplies	31,426	16,564	10,259	23,527
Utilities	1,826	2,064		
Total Child Care	183,080	148,607	143,411	138,466
Debt Service				
Principal	214,679	115,639	33,392	56,650
Interest	34,894	33,100	31,778	27,471
Total Debt Service	249,573	148,739	65,170	84,121
TOTAL EXPENDITURES	**$1,189,085**	**$1,137,522**	**$956,983**	**$944,548**
OTHER FINANCING				
Insurance Recovery		89,066		
Issuance of debt				500,000
Refunding of debt				(491,311)
GAIN (LOSS)	**4,326**	**13,496**	**181,488**	**188,972**
Beginning Fund Balance	175,000	179,326	219,339	400,827
Ending Fund Balance	**$179,326 ***	**$219,339 ***	**$ 400,827**	**$ 589,799**
* Ending Fund Balance restated				
RESERVES				
Non Spendable				
Prepaid Expenses				2,562
Assigned				
Operating			39,410	39,410
Capital replacement			7,200	7,200
Capital acqusition			24,000	24,000
Unassigned	179,326	219,339	330,217	516,627
Total Fund Balance	**$179,326 ***	**$219,339 ***	**$ 400,827**	**$ 589,799**

Fiscal Indicators

Currently, LAFCO's Fiscal Indicators program includes audited data through FY 2013-14. LAFCO staff has added FY 2014-2015 for the following indicators applicable to the District: Service Obligation, Liquidity, and Debt Service.

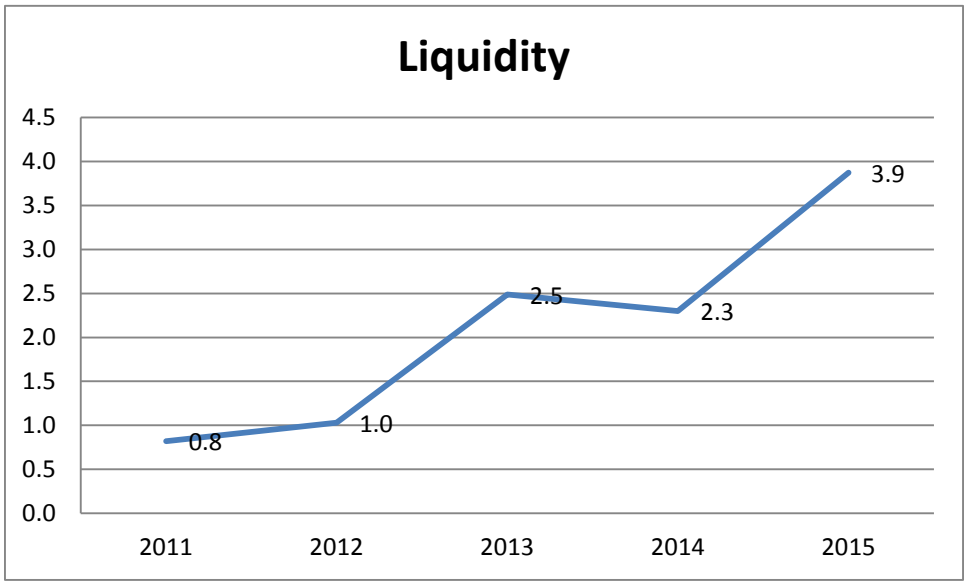
Service Obligation

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 is annual revenues. On the whole, the District shows improvement in this indicator and is not slipping below the 1.0 benchmark.



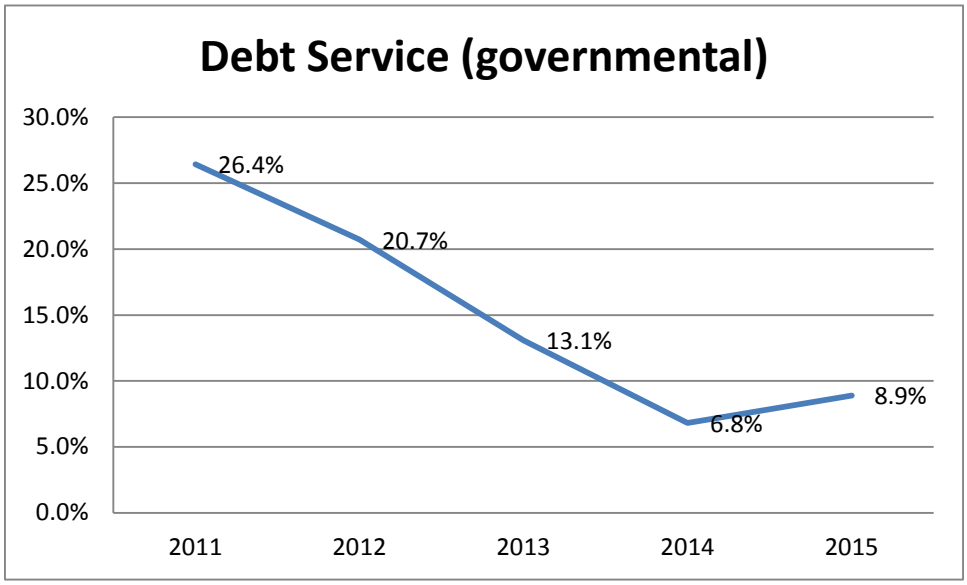
Liquidity

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. As shown, the District's ability to meet its obligations is improving.



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. As shown, the amount of resources that the District commits to debt service is decreasing. As a result, this is a factor in the increase in fund balance.



The reason for the decrease in this indicator is twofold: (1) slight overall increase in operating expenses, denominator, and (2) retirement of debt – loan payable to the County which expired in FY 2012-13, numerator.

In July 2014, the District refinanced its $606,000 note payable (used to finance the purchase of the District office). The new note requires monthly payments roughly

$1,000 less than the previous note. However, at the end of the tenth year, a balloon payment of roughly $378,000 is due and payable. It is anticipated that this remaining amount would either be paid or refinanced.

FY 2015-16 Mid-Year

As indicated, the District's financial position is improving and the FY 2015-16 mid-year shows the same. The following is a bullet summary of its mid-year report followed by a chart showing activity by line item as recreated by LAFCO staff for formatting purposes (staff has also highlighted line items of interest).

- The District's primary source of income (special tax) is significantly surpassing budget projections. Expenses are on track through the mid-year. As a result, funds have increased by roughly $32,000.

- Expenses that did not occur or were under budget include:
    - Costs to hold a special election to fill a vacant seat (shown as Miscellaneous Expense). The District did not receive potential candidates, so the County appointed a director ($50,000).
    - Under budget: landscaping and other projects not needed as well as repairs that were not needed. ($14,000). However, LAFCO staff would caution the District not to forgo maintenance for the sake of increasing fund balance.

- A significant cost to note is $74,000 for repaving the Running Springs Senior Hootman Center parking lot and an unbudgeted cost for a deposit for outdoor park workout equipment for $16,000.

- Due to its strengthening position, the District is considering two projects (Crestline and Green Valley Lake), according to District staff:

    - The District is collaborating with the Green Valley Mutual Water Company to install a playground on the water district's property, likely this spring. This park will be open to the public and maintained by the District. A specified reserve of $45,000 has already been established for this project, and it is not anticipated that costs will vary greatly from the informal estimate. LAFCO staff would caution the District to review ongoing maintenance and operation costs for this project.

    - The District is currently searching for a 3 to 6-acre parcel in the Crestline area to install a neighborhood park, as that major mountain community is not as greatly represented by District presence. In addition, the District is working with the local school district to acquire space at the now vacant Lake Gregory Educational Center in Crestline to open up the gymnasium to the public, along with classrooms for sports, programs, and other activities. Although the District has no specified reserve for this purpose, funds could be allocated from a general capital acquisition reserve that currently has a balance of $200,000, if needed.

	FY 2015-16		
	Budget	Actuals	Percent
	Thru Mid-Year	Thru Mid-Year	Thru Mid-Year
Revenues			
Special Parcel Tax	453,400	423,436	93%
Childcare Income	44,000	60,947	139%
Interest	120	113	94%
Rental Income	46,875	62,613	134%
Recreation Programs Income	69,800	72,962	105%
Other Income	180	2,170	1206%
Convenience/Other Fee Income	-	13	
Grant Income	-	6,770	
Donations	1,750	1,050	60%
Total Income	**616,125**	**630,074**	**102%**
Expenses			
Compensation & Benefits	283,112	275,558	97%
Advertising	8,496	6,557	77%
Bank Charges	2,225	2,035	91%
Board Member Expense	150	-	0%
Communications	5,010	5,999	120%
Equipment and Supplies	8,448	3,830	45%
Auto Expense	5,900	3,212	54%
Professional Services	30,890	23,693	77%
Program Instructors	27,714	24,576	89%
Special Programs	3,180	4,658	146%
Special Event Programs	19,750	18,685	95%
License Fees	-	242	
Insurance	28,075	30,393	108%
Childcare Expense	4,495	4,833	108%
Building Loan Pymt - DO	24,360	24,347	100%
SB CERA Retirement Association	16,740	16,730	100%
Meals & Entertainment	300	546	182%
Memberships	5,060	5,147	102%
Mileage	750	1,260	168%
Miscellaneous Expense	50,000	-	0%
Rent/Lease of Equipment	4,250	2,710	64%
Postage	510	239	47%
Facilities Rental Charge	4,200	4,200	100%
Facility Repairs & Maintenance	22,046	102,829	466%
Training and Travel	2,980	1,930	65%
Utilities	32,545	26,579	82%
Trash - SB County Waste Mgmt	4,680	3,132	67%
Equipment Repairs & Maintenance	3,930	3,763	96%
Petty Cash - Over (Short)	-	(5)	
Total Expense	**599,796**	**597,678**	**100%**
Net Over (Under)	**$ 16,329**	**$ 32,396**	

The District is also currently working with the Lake Arrowhead Dam Commission (County Service Area 70 Zone D-1) to take over, at no cost, the McKay Park by July 1 of this year. Only small additional expenses can be expected in ongoing regular maintenance of this already existing park. According to the District, it would be responsible for insurance costs, but since it is under a state-wide umbrella plan, adding a small property should not make any difference in its premium. Cost for repairs and maintenance would not be expected to appear for some time as the equipment is fairly new. LAFCO staff notes there is the possibility of the transfer of a small share of the CSA 70 D-1 ad valorem revenues to provide for future needs.

CONCLUSION:

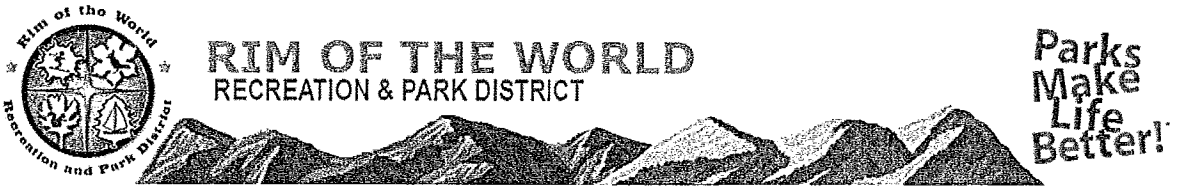
The FY 2014-15 audit shows an improving financial position of the District, and the FY 2015-16 mid-year report does not reveal any areas of concern. The District has one more status report scheduled: August 2016 (2015-16 year-end and 2016-17 budget). This last update will include LAFCO staff's update to its five-year financial projections based upon the District's unaudited year-end figures.

KRM/MT

Attachments:
1. FY 2014-15 Audit
2. FY 2015-16 Mid-Year Report with Spreadsheet

FY 2014-15 Audit

Attachment 1



Financial Statements and
Independent Auditor's Report

For the year ended June 30, 2015

RECEIVED
DEC 03 2015
LAFCO
San Bernardino County

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Rim of the World Recreation and Park District
Basic Financial Statements
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Board of Directors
Rim of the World Recreation and Park District

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Rim of the World Recreation and Park District (District), California as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as the State Controller's *Minimum Audit Requirements for California Special Districts;* this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Rim of the World Recreation and Park District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other matters

Required supplementary information

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

Rogers Anderson Malody & Scott, LLP

San Bernardino, California
October 20, 2015

Rim of the World Recreation and Park District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Rim of the World Recreation & Park District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 10.38% or $169,427 to $1,801,381 in 2015 as a result of current year operations.
- During the year, the District's assessment revenues increased slightly by 1.96% or $15,043 in 2015.
- Overall, revenues decreased by 1.20% or $13,640 to $1,124,831 in 2015. This overall decrease was a combination of a positive increase in revenues from assessments and a decrease of $22,992 in recreation fees.
- In the fund statements, total expenditures decreased by 1.30% or $12,435 to $944,548 in 2015. The decrease was a combination of administrative expenses wages increasing and a decrease in amounts paid to recreation instructors.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting,* which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or *financial position.* Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District's property tax base to assess the *overall health* of the District.

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by $1,801,381 as of June 30, 2015.

	2015	2014	% change	$ change
Assets:				
Current and other	$ 708,761	$ 579,501	22.31%	$ 129,260
Capital, net	2,338,139	2,398,927	-2.53%	(60,788)
Total assets	3,046,900	2,978,428	2.30%	
Liabilities:				
Current and other	118,962	178,674	-33.42%	(59,712)
Due in more than one year	1,126,557	1,167,800	-3.53%	(41,243)
Total liabilities	1,245,519	1,346,474	-7.50%	
Net position:				
Net investment in capital assets	1,861,329	1,907,616	-2.43%	(46,287)
Unrestricted (deficit)	(59,948)	(275,662)	-78.25%	215,714
Total net position	$ 1,801,381	$ 1,631,954	10.38%	

$1,861,329 of the District's net position as of June 30, 2015, reflects its investment in capital assets (net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to operate the District; consequently, these assets are *not* available for future spending. At the end of fiscal year 2015, the District showed a deficit balance in its unrestricted net position of $59,948.

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by $169,427 for the fiscal year ended June 30, 2015.

Revenues:	2015	2014	% change	$ change
Program revenues				
Charges for services	$ 1,115,500	$ 1,125,227	-0.86%	$ (9,727)
Operating grants and contributions	5,018	2,280	100.00%	2,738
Capital grants and contributions	-	1,000	-100.00%	(1,000)
General revenues				
Investment earnings	935	14	100.00%	921
Other	3,378	9,950	-66.05%	(6,572)
Total revenues	1,124,831	1,138,471	-1.20%	(13,640)
Expenses				
Administration	497,145	466,210	6.64%	30,935
Recreation	285,593	348,971	-18.16%	(63,378)
Child care	145,047	148,652	-2.43%	(3,605)
Interest expense	27,619	31,778	-13.09%	(4,159)
Total expenses	955,404	995,611	-4.04%	(40,207)
Special item - withdrawal from pension plan	-	(669,204)	100.00%	669,204
Increase (decrease) in net position	169,427	(526,344)	-132.19%	695,771
Net position, beginning	1,631,954	2,158,298		
Net position, ending	$ 1,801,381	$ 1,631,954		

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2015, the District's Governmental Fund reported a fund balance of $589,799, of which $519,189 is unassigned and available for future District expenditures. $70,610 of fund balance has been assigned for various reserve accounts.

Rim of the World Recreation and Park District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

	2015	2014	% change	$ change
REVENUES				
Special assessments, current and prior	$ 784,182	$ 769,139	1.96%	$ 15,043
Rents and concessions	93,864	96,627	-2.86%	(2,763)
Investment earnings	935	14	100.00%	921
Charges for services:				
Recreation	128,444	151,436	-15.18%	(22,992)
Childcare	109,010	108,025	0.91%	985
Contributions and donations	5,018	3,280	100.00%	1,738
Other	3,378	9,950	-66.05%	(6,572)
Total revenues	1,124,831	1,138,471	-1.20%	(13,640)
EXPENDITURES				
Administration:				
Salaries and benefits	341,618	322,206	6.02%	19,412
Services and supplies	141,594	130,325	8.65%	11,269
Recreation:				
Salaries and benefits	31,572	25,436	24.12%	6,136
Services and supplies	207,177	270,435	-23.39%	(63,258)
Childcare:				
Salaries and benefits	114,939	133,152	-13.68%	(18,213)
Services and supplies	23,527	10,259	129.33%	13,268
Debt service:				
Principal	56,650	33,392	69.65%	23,258
Interest	27,471	31,778	-13.55%	(4,307)
Total expenditures	944,548	956,983	-1.30%	(12,435)
Excess of revenues over expenditures	180,283	181,488		
OTHER FINANCING SOURCES (USES)				
Issuance of debt	500,000	-		
Refunding of debt	(491,311)	-		
Issuance of debt - withdrawal from pension plan	-	669,204		
Total other financing sources (uses)	8,689	669,204		
SPECIAL ITEM				
Withdrawal from retirement plan	-	(669,204)		
Net change in fund balance	188,972	181,488		
Fund balance, beginning of year	400,827	219,339		
Fund balance, end of year	$ 589,799	$ 400,827		

Overall fund financial statement revenues decreased by 1.20%. The decrease was mainly due to the decrease in recreation fee revenues. Expenditures decreased by 1.30%.

Capital Asset Administration

Changes in capital assets for fiscal year 2015 were as follows:

	2015	2014	% change	$ change
Capital assets not being depreciated	$ 1,312,849	$ 1,312,849	0.00%	$ -
Capital asset being depreciated	2,060,882	2,060,882	0.00%	-
Less accumulated depreciation	(1,035,592)	(974,804)	6.24%	(60,788)
Total capital assets, net	$ 2,338,139	$ 2,398,927	-2.53%	(60,788)

At the end of fiscal year 2015, the District's investment in capital assets amounted to $2,338,139 (net of accumulated depreciation). This investment in capital assets is primarily comprised of basic infrastructure assets and equipment. For more information regarding capital assets, please see Note 3 to the basic financial statements.

Long-term Liabilities Administration

Long-term liabilities for fiscal year 2015 were as follows:

	2015	2014	% change	$ change
Note payable - Union Bank	$ -	$ 491,311	-100.00%	$ (491,311)
Note payable - California Bank & Trust	476,810	-	100.00%	476,810
SBCERA loan	619,014	652,474	100.00%	(33,460)
Compensated absences	30,733	24,015	27.97%	6,718
Total capital assets, net	$ 1,126,557	$ 1,167,800	-3.53%	(41,243)

At the end of fiscal year 2015, the District had secured debt of $476,810, of which $465,595 is designated as long-term. Similarly, the District had $30,733 in compensated absences, of which $21,513 is designated as long-term. The District also entered into a loan agreement with the San Bernardino County Employees' Association to pay for the unfunded portion of the District's pension liability due to the District's termination from the plan. Of the SBCERA debt, $585,554 is considered long-term. For additional information regarding long-term liabilities, please see Note 4 to the basic financial statements.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at P.O. Box 8 – 26577 State Highway 18, Rimforest, CA 92378.

Rim of the World Recreation and Park District
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Cash	$ 669,513
Accounts receivable, net	7,099
Intergovernmental receivables	29,587
Prepaid expenses	2,562
Capital assets not being depreciated	1,312,849
Capital assets being depreciated, net	1,025,290
Total assets	3,046,900
LIABILITIES	
Accounts payable	18,444
Accrued wages and benefits	24,419
Other current liabilities	63,433
Unearned revenue	12,666
Noncurrent liabilities:	
Due within one year	53,895
Due in more than one year	1,072,662
Total liabilities	1,245,519
NET POSITION	
Net investment in capital assets	1,861,329
Unrestricted (deficit)	(59,948)
Total net position	$ 1,801,381

The accompanying notes are an integral part of these financial statements.

Rim of the World Recreation and Park District
Statement of Activities
For the year ended June 30, 2015

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Governmental Activities
Governmental activities:					
Administration	$ 497,145	$ 878,046	$ -	$ -	$ 380,901
Recreation	285,593	128,444	5,018	-	(152,131)
Childcare	145,047	109,010	-	-	(36,037)
Interest expense	27,619	-	-	-	(27,619)
Total governmental activities	$ 955,404	$ 1,115,500	$ 5,018	$ -	165,114
General revenues:					
Investment earnings					935
Other					3,378
Total general revenues					4,313
Change in net position					169,427
Net position, beginning of year					1,631,954
Net position, end of year					$ 1,801,381

The accompanying notes are an integral part of these financial statements.

Rim of the World Recreation and Park District
Balance Sheet
Governmental Fund
June 30, 2015

ASSETS		
Cash	$	669,513
Accounts receivable, net		7,099
Intergovernmental receivables		29,587
Prepaid expenses		2,562
Total assets	$	708,761
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	18,444
Accrued wages and benefits		24,419
Unearned revenue		12,666
Other current liabilities		63,433
Total liabilities		118,962
Fund balance:		
Nonspendable:		
Prepaid expenses		2,562
Assigned:		
Operating reserve		39,410
Capital replacement reserve		7,200
Capital acquisition reserve		24,000
Unassigned		516,627
Total fund balance		589,799
Total liabilities and fund balance	$	708,761

The accompanying notes are an integral part of these financial statements.

Rim of the World Recreation and Park District
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
Governmental Fund
June 30, 2015

Fund balance of governmental fund	$	589,799
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		2,338,139
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds.		
Note payable - California Bank & Trust		(476,810)
Loan payable - SBCERA		(619,014)
Compensated absences payable		(30,733)
Net position of governmental activities	$	1,801,381

The accompanying notes are an integral part of these financial statements.

Rim of the World Recreation and Park District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the year ended June 30, 2015

REVENUES		
Special assessments, current and prior	$	784,182
Rents and concessions		93,864
Investment earnings		935
Charges for services:		
Recreation		128,444
Childcare		109,010
Contributions and donations		5,018
Other		3,378
Total revenues		1,124,831
EXPENDITURES		
Administration:		
Salaries and benefits		341,618
Services and supplies		141,594
Recreation:		
Salaries and benefits		31,572
Services and supplies		207,177
Childcare:		
Salaries and benefits		114,939
Services and supplies		23,527
Debt service:		
Principal		56,650
Interest		27,471
Total expenditures		944,548
Excess of revenues over expenditures		180,283
OTHER FINANCING SOURCES (USES)		
Refunding of debt		(491,311)
Issuance of debt		500,000
Total other financing sources (uses)		8,689
Net change in fund balance		188,972
Fund balance, beginning of year		400,827
Fund balance, end of year	$	589,799

The accompanying notes are an integral part of these financial statements.

Rim of the World Recreation and Park District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the year ended June 30, 2015

Net change in fund balance - total governmental fund	$	188,972
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:		
Depreciation expense		(60,788)
Issuance of debt provides current financial resources to governmental funds, while the repayment of principal consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal payments		56,650
Payment of debt		491,311
Issuance of debt		(500,000)
Compensated absences expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences		(6,718)
Change in net position of governmental activities	$	169,427

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Rim of the World Recreation and Park District (the District) conform to generally accepted accounting principles.

Organization

The District was established on December 5, 1985 by the issuance of the Certificate of Completion by the Local Agency Formation Commission (LAFCO). The District is governed by an elected Board of Directors, elected by District voters.

The District acquires and manages parks for public use, organizes and manages recreational activities, as well as assisting other groups and organizations with recreational endeavors. Childcare is also provided at various locations within the District to provide recreational activities for children as well as providing needed daytime child supervision for the individuals within the District.

The District's primary source of revenue comes from a $22 per parcel special parcel tax for each non-exempt parcel (parcels located within Cedar Pines Park as well as government owned parcels are considered exempt) within the District boundaries. In addition, the District charges childcare fees, recreational fees for various programs as well as facilities use fees, including reimbursements for various costs such as ball field lighting. The District has no power to levy and collect taxes.

Basis of accounting and measurement focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide financial statements

Government-wide financial statements display information about the reporting government as a whole; except for any fiduciary activities (the District has no fiduciary activities). Those statements include separate columns for the governmental and business-type activities of the entity (including any blended component units), as well as its discretely presented component units. The District has no business-type activities or component units.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting.* Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Note 1: Summary of Significant Accounting Policies (continued)

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds from debt issued are recorded as a liability in the government-wide financial statements, rather than as *other financing source*. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund financial statements

The underlying account system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District's governmental fund are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Currently, the District has only one fund.

Governmental funds

In the fund financial statements, the governmental fund is presented using the *modified-accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available*. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District uses a sixty day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental fund in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

Note 1: Summary of Significant Accounting Policies (continued)

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of debt issued are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Accounts receivable

Accounts receivable are reported at their estimated net realizable value. The allowance for doubtful accounts is estimated based on the District's historical losses and existing economic conditions. Because of the inherent uncertainty in estimating bad debts, it is reasonably possible that the estimates used to calculate the allowance will change in the near term. Currently, accounts receivable are reported in the financial statements as follows:

Accounts receivable	$	18,413
Allowance for uncollectible accounts		(11,314)
Net realizable value	$	7,099

Fund classifications

The following fund is presented as a major fund in the accompanying basic financial statements:

The *General Fund* is used to account for all activity not required to be accounted for in another fund.

Note 1: Summary of Significant Accounting Policies (continued)

Fair value investments

GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the District reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Cash and investments

Cash and investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* include interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Capital assets

Capital assets of $5,000 or more are capitalized with a useful life of over one year. Capital assets are recorded at cost for asset purchases where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution.

The estimated useful lives of capital assets using the straight-line method of depreciation are as follows:

Category	Useful life
Buildings and improvements	10 – 50 years
Machinery and equipment	2 – 20 years

Compensated absences

Salaried full-time employees earn personal time off benefits, and can accumulate a balance from year to year. The amount payable in future years when used by the District's employees amounted to $30,733 at June 30, 2015.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Accordingly, actual results could differ from these estimates.

Property taxes/assessments

The County of San Bernardino (County) bills and collects property taxes/assessments on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year taxes/assessments are received through periodic apportionments from the County.

Note 1: Summary of Significant Accounting Policies (continued)

The County's tax calendar is from July 1 to June 30. Property taxes/assessments attach a lien on the property on March 1. Taxes/assessments are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Fund equity

The District reports its fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The District Board (the highest level of authority), establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The Board has not formally authorized any individual or body to assign fund balance., and therefore, all assignments of funs balance are authorized by the Board.

Deferred inflows and outflows

Deferred outflows of resources are transactions that result in the consumption of net assets in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net assets in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

The statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Note 2: Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash	$	669,513
Total cash and investments	$	669,513

Cash and investments as of June 30, 2015 consist of the following:

Bank deposits	$	669,213
Petty cash and undeposited funds		300
Total cash and investments	$	669,513

Equity in the cash and investment pool of the County of San Bernardino

Cash and investments includes the cash balance of monies deposited with the County of San Bernardino Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2015. During the current year, the District removed all of its funds with the County pool and deposited them with California Bank & Trust.

Investments authorized by the California Government Code and the District's investment policy

The table below identifies the *investment types* that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Code (or the District's investment policy, if more restrictive) that address *interest rate risk* and *concentration of credit risk*. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Note 2: Cash and Investments (continued)

Investment types authorized by investment policy	Maximium maturity*	Maximum percentage of portfolio*	Maximum investment in one issuer*
Bonds issued by the District	5 years	None	None
US Treasury bills, notes and bonds	5 years	None	None
Registered State warrants, notes or bonds	5 years	None	None
Local Agency debt	5 years	None	None
US Agency obligations	5 years	None	None
Bankers acceptances	180 days	40%	30%
Commercial paper	180 days	15%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Corporate medium term notes	5 years	30%	None
Money market mutual funds	N/A	20%	10%
Collateralized bank depostis	5 years	None	None
Mortgage pass through securities	5 years	20%	None

* = Based on state law requirements or investment policy requirements, whichever is more restrictive.

Disclosure relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by diversifying its investment maturities evenly over time as necessary to provide the cash flow and liquidity needed for operations. At June 30, 2015, the District only held deposits with financial institutions.

Disclosures relating to interest rate risk, credit risk and custodial credit risk

At June 30, 2015, the District had aggregate deposits of $699,513 with California Bank & Trust subject to FDIC insurance and collateralized by the bank.

Note 2: Cash and Investments (continued)

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District holds no investments subject to credit risk.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Concentration of credit risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of *total District investments* for the year ended June 30, 2015.

Note 3: Capital Assets

Changes in capital assets for the fiscal year ended June 30, 2015, were as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 574,257	$ -	$ -	$ 574,257
Improvements to land	738,592	-	-	738,592
Total capital assets not being depreciated	1,312,849	-	-	1,312,849
Capital assets being depreciated:				
Structures and improvements	1,845,883	-	-	1,845,883
Equipment	150,415	-	-	150,415
Depreciable improvements to land	64,584	-	-	64,584
Total capital assets being depreciated	2,060,882	-	-	2,060,882
Less accumulated depreciation	(974,804)	(60,788)	-	(1,035,592)
Total capital assets being depreciated, net	1,086,078	(60,788)	-	1,025,290
Total capital assets, net	$ 2,398,927	$ (60,788)	$ -	$ 2,338,139

Depreciation expense has been charged to the following functions as follows:

Administration	$ 9,379
Recreation	46,409
Childcare	5,000
Total depreciation expense	$ 60,788

Note 4: Long-Term Liabilities

Changes in long-term debt for the fiscal year ended June 30, 2015, were as follows:

	Beginning balance	Additions	Deletions	Ending balance	Current portion
Note payable - Union Bank	$ 491,311	$ -	$ (491,311)	$ -	$ -
Note payable - California Bank & Trust	-	500,000	(23,190)	476,810	11,215
SBCERA loan	652,474	-	(33,460)	619,014	33,460
Compensated absences	24,015	6,718	-	30,733	9,220
Total long-term liabilities	$ 1,167,800	$ 506,718	$ (547,961)	$ 1,126,557	$ 53,895

	Outstanding at June 30, 2015
Note payable - Union Bank	
In November 2005, the District refinanced its $600,000 note payable, which was due on March 3, 2006, for $606,000. The note requires monthly payments of $4,037 based on a 25 year amortization schedule at an interest rate of 6.35%. See below.	$ -
Note payable - California Bank & Trust	
In July 2014, the District refinanced its $606,000 note payable with Union Bank with a note payable from California Bank & Trust. The new note requires monthly payments of $3,058 based on a 10 year amortization schedule at a varaible interest rate based on the lender's LIBOR/Swap rate which as of the date of the note was 5.379%. At no time shall the rate be below 5.200%. At the end of the tenth year, a balloon payment of approximately $378,347 is due and payable. Real property and improvements at 26577 State Highway 18, RimForest, CA are collateral for the note.	476,810
Loan payable - San Bernardino County Employees' Retirement Association	
On December 2, 2013, the District elected to terminate its participation in the San Bernardino County Employees' Retirement Association (SBCERA). As a result, SBCERA calculated an unfunded termination liability as of May 31, 2013 which amounted to $669,204. On January 27, 2014, the District entered into a loan agreement with SBCERA to pay off the unfunded balance. The agreement requires monthly payments of $2,788 over a twenty year period, beginning January 2014. The loan does not carry an interest rate.	619,014
Total notes and loans payable	$ 1,095,824

Note 4: Long-Term Liabilities (continued)

The annual requirements to amortize the California Bank & Trust note payable outstanding as of June 30, 2015, including interest payments to maturity, are as follows:

Fiscal year ending June 30,	Principal	Interest
2016	$ 11,215	$ 25,479
2017	11,904	24,790
2018	12,561	24,134
2019	13,253	23,441
2020	13,921	22,773
2021-2024	413,956	82,765
Totals	$ 476,810	$ 203,382

The annual requirements to amortize the SBCERA loan payable outstanding as of June 30, 2015, including interest payments to maturity, are as follows:

Fiscal year ending June 30,	Principal	Interest
2016	$ 33,460	$ -
2017	33,460	-
2018	33,460	-
2019	33,460	-
2020	33,460	-
2021-2025	167,300	-
2026-2030	167,300	-
2031-2035	117,114	-
Totals	$ 619,014	$ -

Note 5: Employees' Retirement Plans

Currently, the District participates in the following retirement plans:

Accumulation Program for Part-time and Limited Service Employees (APPLE) – defined contribution

The District currently offers a defined contribution plan for employees classified as part-time, seasonal or temporary and who are not eligible to participate in the PERS 457 plan. The plan is administered by Keenan & Associates and MidAmerica Administrative Services. The District contributes 3.75% percent of the employee's compensation. In addition, each participant is required to contribute 3.75% of their salary. During the current fiscal year, the District contributed $6,372 to the plan.

PERS 457 Plan – defined contribution

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Currently, the District contributes 10% of the employee salary. Pursuant to the IRC 457 subsection (g): all amounts of compensation deferred under the plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the plan. Deferred compensation funds are not subject to claims of the District's general creditor; consequently the assets and related liabilities of the plan are not included within the District's financial statements. The District contributed $22,549 to the plan in the current fiscal year.

Note 6: Commitments and Contingencies

The District, from time to time, receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. District management believes such disallowances, if any, would not have a material effect on the District's financial position.

Note 7: Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters for which the District carries commercial insurance.

Insurance pooling - The District participates in the California Association for Park and Recreation Indemnity (CAPRI) insurance program. CAPRI is a joint powers agency comprised of California special districts.

- *General liability (including public officials errors and omissions, auto and employment practices)* – Coverage with a $1,000,000 limit per occurrence. CAPRI also purchases an excess policy with limits of $25 million excess of $1,000,000. There is a deductible for general liability claims of up to $100,000 per occurrence, per member.
- *Crime* – Coverage with of $1,000,000 per member district because of employee theft. For each covered claim, there is a deductible of $1,000 per occurrence, per member.
- *All risk property loss* – Coverage with an annual aggregate limit of $1,000,000,000, subject to a deductible up to $25,000 per member. Earthquake coverage has an annual aggregate limit shared by all members of $5,000,000 per occurrence and flood with an annual limit of $10,000,000. The deductible for all loss or damage arising from the risks of earthquake is $50,000 per occurrence or 5% of the value of the building, contents and/or structure damage, whichever is greater. The deductible for all loss or damage arising from the risk of flood is $20,000.

Major loss risks are covered by umbrella policies, but several losses and multiple deductable losses to the group could result in additional assessments to the District. The pool has substantial reserves and has not requested additional assessments of members since the District began participation. Management considers the likelihood of such an assessment to be remote.

Workers compensation coverage is provided by the Special District Risk Management Authority (SDRMA). SDRMA is an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. seq. SDRMA provides statutory limits per occurrence for workers compensation and $5,000,000 for employer's liability coverage with no member deductible.

There have been no significant reductions in insurance coverage from the prior year.

Note 8: Rental Agreements

The District is currently the lessor of unused office space in its Rimforest office building and various cell phone tower sites. The anticipated future revenues for the various leases are as follows:

Fiscal year ending June 30,	Amount
2016	$ 80,320
2017	81,978
2018	83,855
2019	85,752
2020	91,271
Total	$ 423,176

The cell tower leases operate under five year renewable contracts. As of June 30, 2015, each lease has been renewed at least once. However, there is no guarantee the leases will be renewed in the future.

Required Supplementary Information

Required Supplementary Information
Rim of the World Recreation and Park District
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2015

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
REVENUES				
Special assessments, current and prior	$ 760,000	$ 760,000	$ 784,182	$ 24,182
Rents and concessions	88,164	88,164	93,864	5,700
Investment earnings	-	-	935	935
Charges for services:				
Recreation	155,600	155,600	128,444	(27,156)
Childcare	95,000	95,000	109,010	14,010
Contributions and donations	-	-	5,018	5,018
Other	-	-	3,378	3,378
Total revenues	1,098,764	1,098,764	1,124,831	26,067
EXPENDITURES				
Administration:				
Salaries and benefits	360,765	360,765	341,618	19,147
Services and supplies	229,393	229,393	141,594	87,799
Recreation:				
Salaries and benefits	33,342	33,342	31,572	1,770
Services and supplies	191,349	191,349	207,177	(15,828)
Child care:				
Salaries and benefits	121,381	121,381	114,939	6,442
Services and supplies	38,116	38,116	23,527	14,589
Debt service:				
Principal	55,154	55,154	56,650	(1,496)
Interest	26,746	26,746	27,471	(725)
Total expenditures	1,056,246	1,056,246	944,548	111,698
Excess of revenues over (under) expenditures	42,518	42,518	180,283	137,765
OTHER FINANCING SOURCES (USES)				
Refunding of debt	-	-	(491,311)	(491,311)
Issuance of debt	-	-	500,000	500,000
Total other financing sources (uses)	-	-	8,689	8,689
SPECIAL ITEM				
Withdrawal from retirement plan	-	-	-	-
Net change in fund balance	42,518	42,518	188,972	146,454
Fund balance, beginning of year	400,827	400,827	400,827	-
Fund balance, end of year	$ 443,345	$ 443,345	$ 589,799	$ 146,454

Rim of the World Recreation and Park District
Notes to Required Supplementary Information
For the year ended June 30, 2015

Note 1: Budgetary Control and Accounting

The District adopts an annual budget prepared on the modified accrual basis of accounting for its governmental fund types.

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Juan Romero, CPA
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Brianna Pascoe, CPA

Board of Directors
Rim of the World Recreation and Park District

We have audited the financial statements of the governmental activities and each major fund of the Rim of the World Recreation and Park District (District) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Depreciation expense is the allocation of capital asset costs over the estimated useful life of a particular asset. The actual life of a single asset may vary significantly based on a variety of unknown factors, such as defects in quality of manufacturing or materials used in the asset. Assets may last longer or shorter than anticipated resulting in disproportionate allocation of expense to various accounting periods. We evaluated the useful lives of assets employed by the District to determine if the lives utilized appeared reasonable based on the asset classes in service.

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

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Restriction on Use

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

Rogers Anderson Malody & Scott, LLP

San Bernardino, California
October 20, 2015

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INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

We have performed the procedures enumerated below to the accompanying Appropriations Limit worksheet of the Rim of the World Recreation and Park District (the District) for the year ended June 30, 2015. These procedures, which were agreed to by the District and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution),* were performed solely to assist the District in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The District's management is responsible for the Appropriations Limit worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the Board of Directors.

   Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

   Finding: No exceptions were noted as a result of our procedures.

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3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

   Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the Board of Directors during the prior year.

   Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIII-B of the California Constitution.*

This report is intended solely for the information and use of the Board of Directors and management of the Rim of the World Recreation and Park District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Rogers Anderson Malody & Scott, LLP

San Bernardino, California
October 20, 2015

Rim of the World Recreation and Park District
APPROPRIATIONS LIMIT COMPUTATION
2014 – 2015

Actual calculation		2014-2015
Per capita personal income change		-0.23%
Population change:		
County population growth		0.78%
CPI change converted to a ratio		0.9977
Population change converted to a ratio		1.0078
Calculation of growth factor		1.0055
2014-2014 limit	$ 2,556,354	
2014-2015 limit ($2,556,354 x 1.0055)	$ 2,570,414	

FY 2015-16 Mid-Year Report with Spreadsheet

Attachment 2

Rim of the World Recreation and Park District

Management's Discussion and Analysis
For the 2015/2016 Mid-Year Review
Ending December 31, 2015

Revenue Summary:

The District has budgeted $1,092,825 of revenue for the 2015/16 fiscal year. The District has recognized $630,074 through December 31, 2015, or 57.7% through midyear. This compares with a budget of 56.4% by midyear (based on expectation that heavier tax apportionment funds are received in the first half of the fiscal year's property tax revenue flow).

Expense Summary:

The District has budgeted $1,052,119 in expense for the 2015/16 fiscal year. At the midyear point, $597,678 has been spent, or 56.8% of the anticipated total. This compares with a budgeted percentage of 57.0% (based on anticipated expenditures of $599,796 to date).

Revenue Detail:

Special Parcel Tax

Special Parcel Tax receipts are about 6.6% behind budget, or $29,964. Roughly half of this shortfall is due to the quadrupling of County per-parcel administrative fees/taxes from $.30 to $1.20, or $31,865 more for the 35,405 properties covered. The entire annual sum was deducted from the District's first tax-roll revenue check on November 13, essentially mandating an interest-free loan to the County from the District of that amount. The first-half amount has been recovered, the rest to be collected by the end of the fiscal year.

Childcare Income

Revenue for Childcare exceeded budget by 38.5%, or $16,947. Direct operating expenses exceeded budget by only 7.5%, or $338, and payroll was less than what was budgeted by $5,035 (6.3%). Although this does not yet represent a break-even performance, the $21,644 reduction in net loss is significant, indicative of higher patronage of the programs by the community and greater efficiency of service.

Rental Income

Rental Income exceeded budget by a little over a third ($15,738), $12,531 of which was for facility rentals. Contributing to this overage was soccer use of District ball fields ($6,360, part of which was for field use in the previous fiscal year but missed in the billing then). Other heavier use was noted for Little League, football, and cheer. An additional $3,166 was realized over budget for rental by these same groups for equipment (field lights).

Recreational Programs Income

The District saw some recovery in its Recreational Program Income, about 4.5%, or $3,162, fed by commission programs (12.1%, or $4,212), and the August run and bike tour events (29.6%, or $3,850). Non-commission revenue fell short of budget by 22.3% ($4,900), primarily in Youth and Adult Basketball.

Other Income

Only a nominal amount was budgeted in this category ($180), but a one-time dividend check of $2,170 was received for an insurance fund gain in FY01-02 from CAPRI (Cal. Assoc. for Park and Rec. Indemnity).

Grant Income

The District received an unbudgeted grant of $6,770 from Greenfields Outdoor Fitness in December for park workout equipment to be installed at the Twin Peaks Rotary Centennial Park.

Expense Detail:

Compensation & Benefits

Payroll and benefit expenses totaled $275,558, 2.7% below the projected six-month budget of $283,112 (a variance of -$7,554), largely due to less Childcare payroll expenses of $5,035 (other individual departments were lower by less than $1,000 each).

Equipment and Supplies

More conservative office supply ordering (-52.5%, or -$2,622), lower janitorial supply outlays (-35.4%, or -$796), and lack of any other miscellaneous expenses (-100%, or -$1,200) accounted for the variance here of -54.7% (-$4,618).

Auto Expense

Lack of any repairs enabled vehicle maintenance expenses to fall 86% below budget (-$1,462); combined with fuel expense savings of 29.2% ($1,226), this produced an expense shortfall of 45.6% ($2,688).

Professional Services

Numerous line-item savings were realized under this grouping, but the biggest contributor was Legal Counsel (-56.9%, or -$4,267). The overall savings from budget was 23.3%, or $7,197.

Program Instructors

The lion's share of savings in this category came from the lack of any expenses in the "Other" line item, budgeted at $2,496. Overall, costs were 11.3% below budget, or $3,138.

Special Programs

Almost all expense in this line item ($4,631 out of $4,658) was for basketball uniforms, which were billed at higher than expected rates, causing an overall excess over budget of 46.5% ($1,478).

Insurance

About two-thirds of the budget overage in insurance costs (all premiums) of $2,318 (8.3%) was for workers compensation ($1,553, or 8.0%), the remaining being liability and property ($765, or 8.8%). Overages were all the result of premium increases that were unrelated to any claims, as there have been none.

Miscellaneous Expense

A total of $50,000 was budgeted for the costs of holding an election to fill a vacant seat on the District's Board of Directors, all allocated in the first half of the fiscal year. However, since no candidates came forward to submit their names for the ballot, the County appointed a director to replace the one who had retired. This obviated the need for any funds to be spent on the election.

Rent/Lease of Equipment

Although rental of portable toilets was close to budget ($140 under), the $1,400 budgeted for other possible rentals (e.g., for a lift to repair ball field lights) was not needed, so there was zero expense in that category.

Facility Repairs & Maintenance

Of the $80,783 overage ($366.4%) in this line item $73,846 was for repaving of the Running Springs Hootman Senior Center parking lot, a project anticipated in the FY15-16 budget via a transfer from the general Fund Balance to a designated reserve for this purpose ($75,000), instead of a line item in the Income and Expense report. The reserve has now been transferred in full back to the general Fund Balance. Other overages (unbudgeted) include a $15,865 deposit on outdoor park workout equipment related to the Greenfields Outdoor Fitness grant described above, $4,400 for three ball field entrance signs, and $1,992 for a lift gate for the Twin Peaks ball field sign. Partially offsetting these overages were the following significant line-item shortfalls: -$6,383 (-96.7%) for landscaping that was not needed; -$4,398 (-100%) for miscellaneous/other projects not needed; and -$3,329 (-88.1%) for Childcare facility repairs not needed.

Utilities

Savings for utilities totaled $5,966 (18.3% below budget), and the major contributor was water ($4,880, or 22.6% below budget). State-mandated water use restrictions resulted in significantly reduced irrigation of District ball fields. Partially due to the termination of electrical service to a Crestline facility that the District no longer has, overall electricity expense was $1,019 (13.0%) below budget.

Trash – SB County Waste Mgmt

Since no special waste hauling was needed for the first six months of the fiscal year, costs were $1,548 (33.1%) below budget.

Overall Summary:

Rim of the World Recreation and Park District has maintained an overall revenue stream (outside of the Special Parcel Tax) that is far surpassing budget projections by $43,913 ($206,638 actual vs. $162,725 budgeted). Meanwhile, expenses have been held 0.4% below budget ($597,678 actual vs. $599,796 budgeted). As a consequence, reserves have increased $32,396, nearly double the projected $16,329 for fiscal-year-to-date. The general Fund Balance of $279,266, when combined with the General Operating Reserve of $50,729, provides the District with non-designated funds and reserves of $329,995, or 10.8% of total assets.

Other items:

Additional projects and small property acquisitions are being considered at both ends of the District – in Crestline to the west and in Green Valley Lake to the east. In addition, the District is continuing to partner with San Bernardino Associated Governments (SanBAG), the direct recipient of a $284,250 Active Transportation Program grant (mountain-wide) on behalf of the District and that will be overseen by both agencies working in a joint capacity.

Rim of the World Recreation and Park District
Profit & Loss Budget vs. Actual
July through December 2015

	Jul - Dec 15	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
500-100 · Special Parcel Tax	423,436.36	453,400.00	-29,963.64	93.4%
500-200 · Childcare Income	60,947.05	44,000.00	16,947.05	138.5%
500-300 · Interest	113.28	120.00	-6.72	94.4%
500-400 · Rental Income	62,612.88	46,875.00	15,737.88	133.6%
500-500 · Recreation Programs Income	72,961.75	69,800.00	3,161.75	104.5%
500-600 · Other Income	2,170.00	180.00	1,990.00	1,205.6%
500-701 · Convenience/Other Fee Income	13.00	0.00	13.00	100.0%
500-710 · Grant Income	6,770.00	0.00	6,770.00	100.0%
500-900 · Donations	1,050.00	1,750.00	-700.00	60.0%
Total Income	630,074.32	616,125.00	13,949.32	102.3%
Gross Profit	630,074.32	616,125.00	13,949.32	102.3%
Expense				
600-100 · Compensation & Benefits	275,558.13	283,112.00	-7,553.87	97.3%
600-500 · Advertising	6,556.96	8,496.00	-1,939.04	77.2%
600-700 · Bank Charges	2,035.17	2,225.00	-189.83	91.5%
600-800 · Board Member Expense	0.00	150.00	-150.00	0.0%
600-900 · Communications	5,998.75	5,010.00	988.75	119.7%
700-300 · Equipment and Supplies	3,829.98	8,448.00	-4,618.02	45.3%
700-400 · Auto Expense	3,212.06	5,900.00	-2,687.94	54.4%
700-500 · Professional Services	23,693.42	30,890.00	-7,196.58	76.7%
700-600 · Program Instructors (1099)	24,576.48	27,714.00	-3,137.52	88.7%
700-620 · Special Programs	4,657.50	3,180.00	1,477.50	146.5%
700-630 · Special Event Programs	18,685.06	19,750.00	-1,064.94	94.6%
700-800 · License Fees	242.00	0.00	242.00	100.0%
700-900 · Insurance	30,392.65	28,075.00	2,317.65	108.3%
800-100 · Childcare Expense	4,833.34	4,495.00	338.34	107.5%
800-300 · Building Loan Pymt - DO	24,347.40	24,360.00	-12.60	99.9%
800-305 · Other Financing Source - Debt	0.00	0.00	0.00	0.0%
800-307 · Other Financing Use - Debt	0.00	0.00	0.00	0.0%
800-310 · SB CERA Retirement Association	16,730.10	16,740.00	-9.90	99.9%
800-400 · Meals & Entertainment	545.90	300.00	245.90	182.0%
800-450 · Staff Uniforms	0.00	0.00	0.00	0.0%
800-500 · Memberships	5,147.00	5,060.00	87.00	101.7%
800-600 · Mileage	1,259.78	750.00	509.78	168.0%
800-700 · Miscellaneous Expense	0.00	50,000.00	-50,000.00	0.0%
800-800 · Rent/Lease of Equipment	2,710.00	4,250.00	-1,540.00	63.8%
800-900 · Postage	238.57	510.00	-271.43	46.8%
900-200 · Facilities Rental Charge	4,200.00	4,200.00	0.00	100.0%
900-300 · Facility Repairs & Maintenance	102,829.09	22,046.00	80,783.09	466.4%
900-500 · Subscriptions	0.00	0.00	0.00	0.0%
900-600 · Training and Travel	1,930.11	2,980.00	-1,049.89	64.8%
900-700 · Utilities	26,578.63	32,545.00	-5,966.37	81.7%
900-725 · Trash - SB County Waste Mgmt	3,132.06	4,680.00	-1,547.94	66.9%
900-800 · Equipment Repairs & Maintenance	3,763.19	3,930.00	-166.81	95.8%
900-900 · Petty Cash - Over (Short)	-5.00	0.00	-5.00	100.0%
Total Expense	597,678.33	599,796.00	-2,117.67	99.6%
Net Ordinary Income	32,395.99	16,329.00	16,066.99	198.4%
Net Income	**32,395.99**	**16,329.00**	**16,066.99**	**198.4%**