

AGENDA

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

REGULAR MEETING OF MARCH 17, 2021

IMPORTANT NOTICE REGARDING THE MARCH 17, 2021 COMMISSION MEETING

The Local Agency Formation Commission for San Bernardino County (LAFCO or Commission) will conduct this meeting virtually by videoconference and/or teleconference in compliance with waivers to certain Brown Act provisions under the Governor's Executive Order N-29-20, and members of the Commission or LAFCO staff will participate in this meeting telephonically or electronically. The public may participate in the meeting by joining the meeting virtually, by phone, or viewing the meeting live, and may provide general comments and comments on specific agenda items, as described below:

Instructions for Viewing or Listening to the meeting:

Members of the public may:

- Join the virtual meeting on Zoom using the following link: <https://zoom.us/j/89428560422>
- Listen to the meeting by calling (669) 900-9128 and enter the Meeting ID: 89428560422#
- Watch the meeting via YouTube live stream using the following link: https://www.youtube.com/channel/UCpEpEankM-uoTTa8c_OyV1Q

Instructions for Making Comments and Testimony:

If you wish to make comment on a specific agenda item or a general comment under public comment you can do so by:

- On Zoom video conference via the web or the Zoom App, click the 'Raise Hand' button when the item you wish to comment on is being discussed.
- On Zoom via phone, you can also raise your hand by pressing *9 when the item you wish to comment on is being discussed.

Alternatively, if you wish to make written comments on specific agenda items, make general comments, or submit testimony for public hearings, you can send comments and testimony to LAFCO, limited to a maximum of 250 words, by email at lafco@lafco.sbcounty.gov, online at www.sbclafco.org/AgendaandNotices/Agendas/PublicComments.aspx, or by mail to LAFCO, 1170 West 3rd Street, Unit 150, San Bernardino, CA 92415-0490, for receipt no later than 7:30 a.m. on the meeting day. These comments and testimony will be read on to the meeting record at the appropriate time.

This change in public participation will continue until further notice and supersede any LAFCO standard public comment and testimony policies and procedures to the contrary.

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

1. Swear In Regular County Commissioner – Supervisor Joe Baca, Jr.

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.

2. **PUBLIC COMMENTS ON CLOSED SESSION**

3. **CONVENE CLOSED SESSION**

- Conference with Legal Counsel – Existing Litigation – (Government Code Section 54956.9(d)(1)) – C.O.M.E.T. (Citizens of Mentone Empowered Together) v. City of Redlands et al, County of San Bernardino Superior Court Case No. CIVDS1906437
- Conference with Legal Counsel - Existing Litigation (Government Code Section 54956.9(d)(1)) – Montecito Equities, Ltd v. San Bernardino Local Agency Formation Commission, County of San Bernardino Superior Court Case No. CIVSB2029401

4. **RECONVENE PUBLIC SESSION**

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.

5. [Approval of Minutes for Regular Meeting of January 20, 2021](#)
6. [Approval of Executive Officer's Expense Report](#)
7. [Ratify Payments as Reconciled and Note Cash Receipts for Months of December 2020 and January 2021](#)
8. [Review and Approval of Contract with Davis Farr, LLP for Financial Audit Services for the Period FY 2020-21 through Fiscal Year 2023-24](#)
9. [Review and Approval of Cooperative Agreement with the Inland Empire Resource Conservation District related to the Sustainable Agricultural Lands Conservation \(SALC\) Program and Grant](#)
10. Consent Items Deferred for Discussion

PUBLIC HEARING ITEMS:

11. [Consideration of: \(1\) CEQA Categorical Exemption filed by the County of San Bernardino for Tentative Parcel Map No. 20176 to subdivide 17.93 gross acres into three parcels, as CEQA Responsible Agency for LAFCO SC#460; and \(2\) LAFCO SC#460 – City of San Bernardino Irrevocable Agreement to Annex No. 2020-362 for Sewer Service \(APN 0262-042-22\)](#)
12. Preliminary Budget Review for Fiscal Year 2021-22:

- a. [Proposed Schedule of Fees, Deposits, and Charges for Fiscal Year 2021-22](#)
- b. [Proposed Budget for Fiscal Year 2021-22](#)

DISCUSSION ITEMS:

13. [Update on Sustainability of the City of Adelanto related to LAFCO 3232 – Sphere of Influence Amendment for the City of Adelanto](#)
14. [Continued Monitoring from LAFCO 3231 \(Countywide Fire Service Review\) for Barstow Fire Protection District and the City of Barstow \(Continued from the September 16, 2020 Meeting\)](#)
15. [Continued Monitoring from LAFCO 3231 \(Countywide Fire Service Review\) for San Bernardino County Fire Protection District \(Continued from the September 16, 2020 Meeting\)](#)
16. [Continued Monitoring for the Barstow Cemetery District related to LAFCO 3245 - Countywide Service Review for Public Cemetery Districts](#)

INFORMATION ITEMS:

17. [Legislative Update Report](#)

18. [Executive Officer's Report](#)

19. 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.)

20. Comments from the Public

(By Commission policy, the public comment period is limited to five minutes per person for comments related to other items under the jurisdiction of LAFCO not on the agenda.)

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 1170 West Third Street, Unit 150, San Bernardino, during normal business hours, on the LAFCO website at www.sbclafo.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
LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY**

REGULAR MEETING

9:00 A.M.

JANUARY 20, 2021

The Commission conducts the meeting virtually by videoconference (via Zoom) and teleconference (via Zoom phone) and broadcast live via YouTube live stream in compliance with the Governor's Executive Order N-29-20 in response to the COVID-19 pandemic.

PRESENT:

COMMISSIONERS:

Regular Member	Alternate Member
Larry McCallon, Chair	Dieter Dammeier
James Bagley	Rick Denison
Kimberly Cox	Steven Farrell
James Curatalo, Vice-Chair	
Dawn Rowe	
Acquanetta Warren	

STAFF:

**Samuel Martinez, Executive Officer
Paula de Sousa, Legal Counsel
Michael Tuerpe, Senior Analyst
Hannah Larsen, Analyst
Angela Schell, Commission Clerk**

ABSENT:

COMMISSIONERS: **Janice Rutherford**

**CONVENE REGULAR MEETING OF THE LOCAL AGENCY FORMATION COMMISSION –
9:01 A.M. – CALL TO ORDER – FLAG SALUTE AND ROLL CALL**

Chair McCallon makes an announcement regarding the meeting/hearing being conducted via videoconference and teleconference as well as broadcast live via YouTube in compliance with waivers to certain Brown Act provisions under the Governor's Executive Orders due to the COVID-19 Coronavirus pandemic.

ANNOUNCEMENT OF CONTRIBUTIONS

Commissioner Rowe announces that in an abundance of caution, she is recusing herself from Item 6.

CONSENT ITEMS:

- 1. Approval of Minutes for Regular Meeting of December 16, 2020**
- 2. Approval of Executive Officer's Expense Report**

Recommendation: Approve the Executive Office's Expense for Procurement Card Purchases from November 24, 2020 to December 22, 2020

3. Ratify Payments as Reconciled and Note Revenue Receipts for the Month of November 2020

Recommendation: Ratify payments as reconciled for the month of November 2020 and note revenue receipts for the same period.

4. Consent Items Deferred for Discussion (None)

Commissioner Cox moves the approval of the Consent Items. Second by Commissioner Farrell, with a requested correction of the misspelling of his name. The motion passes with the following roll call vote:

*Ayes: Bagley, Cox, Farrell, McCallon, Rowe and Warren.
Noes: None.
Abstain: None.
Absent: Curatalo* (Farrell voting in his stead) and Rutherford.*

PUBLIC HEARING ITEMS:

5A. Environmental Review for LAFCO 3242 and 3243:

Recommendation: Staff recommends that the Commission make the following determinations with respect to the environmental review for LAFCO 3242 and LAFCO 3243:

- a) Certify that the Complete Final Environmental Impact Report (EIR) and other related environmental documents prepared by the City of Fontana for the I-15 Logistics Project have been independently reviewed and considered by the Commission, its staff, and its Environmental Consultant;
- b) Determine that the Complete Final EIR for the project prepared by the City of Fontana is adequate for the Commission's use as a California Environmental Quality Act (CEQA) Responsible Agency for its determinations related to LAFCO 3242 and LAFCO 3243;
- c) Determine that the Commission does not intend to adopt alternatives or additional mitigation measures for the I-15 Logistics Project, and that the mitigation measures identified for the project are the responsibility of the City of Fontana and others, not the Commission;
- d) Adopt LAFCO Resolution No. 3323 including Environmental Findings and Statement of Overriding Considerations; and,
- e) Direct the Executive Officer to file Notices of Determination for both LAFCO 3242 and LAFCO 3243 within five days and find that no further Department of Fish and Wildlife filing fees are required since the City of Fontana, as CEQA lead agency, has paid said fees.

**Unavailable due to technical difficulties*

Public comment was provided by:

Lillian Sapp (inquiry regarding Item 6)

Commissioner Bagley moves approval of staff recommendations. Second by Commissioner Cox. The motion passes with the following roll call vote:

*Ayes: Bagley, Cox, Farrell, McCallon, Rowe and Warren.
Noes: None.
Abstain: None.
Absent: Curatalo* (Farrell voting in his stead) and Rutherford.*

5B. LAFCO 3242 – Sphere of Influence Amendments for the City of Fontana (Expansion), Fontana Fire Protection District (Expansion), West Valley Water District (Expansion), and San Bernardino County Fire Protection District (Reduction)

Recommendation: Staff recommends that the Commission approve LAFCO 3242 by taking the following actions:

1. Determine that the proposed sphere of influence amendments, submitted under the provisions of Government Code Section 56428, does not require a service review..
2. Approve the sphere of influence expansion for the City of Fontana;
3. Approve the sphere of influence expansion for the Fontana Fire Protection District and the concurrent sphere of influence reduction for the San Bernardino County Fire Protection District;
4. Approve the sphere of influence expansion for the West Valley Water District;
5. Affirm the descriptions of the functions and services for the Fontana Fire Protection District, West Valley Water District, and San Bernardino County Fire Protection District, as identified in the LAFCO Policy and Procedure Manual; and,
6. Adopt LAFCO Resolution No. 3324 reflecting the Commission's determination for LAFCO 3242.

Commissioner Bagley moves to approve staff recommendations. Second by Commissioner Cox. The motion passes with the following roll call vote:

*Ayes: Bagley, Cox, Farrell, McCallon, Rowe and Warren.
Noes: None.
Abstain: None.
Absent: Curatalo* (Farrell voting in his stead) and Rutherford.*

**Unavailable due to technical difficulties*

5C. LAFCO 3243 – Reorganization to Include Annexation to the City of Fontana, the Fontana Fire Protection District, the West Valley Water District, and the San Bernardino Valley Municipal Water District, and Detachment from the San Bernardino County Fire Protection District, its Valley Service Zone, and its Zone FP-5, and County Service Area 70 (I-15 Logistics Project)

Recommendation: Staff recommends that the Commission approve LAFCO 3243 by taking the following actions:

1. Approve LAFCO 3243, with the standard terms and conditions that include, but are not limited to, the “hold harmless” clause for potential litigation costs, continuation of fees, charges, assessments, and the identification that the transfer of utility accounts will occur within 90 days of the recording of the Certificate of Completion; and,
2. Adopt LAFCO Resolution No. 3325 setting forth the Commission’s determinations and conditions of approval concerning for LAFCO 3243.

Commissioner Cox moves to approve staff recommendations. Second by Commissioner Warren. The motion passes with the following roll call vote:

*Ayes: Bagley, Cox, Farrell, McCallon, Rowe and Warren.
Noes: None.
Abstain: None.
Absent: Curatalo* (Farrell voting in his stead) and Rutherford.*

6. LAFCO 3244 – Reorganization to Include Annexation to the Town of Apple Valley and Detachment from County Service Area 70 (Annexation No. 2019-001)

Recommendation: Staff recommends that the Commission approve LAFCO 3244 by taking the following actions:

1. With respect to the environmental review:
 - a. Certify that the Commission, its staff, and its Environmental Consultant have independently reviewed and considered the Town of Apple Valley’s Addendum to the Environmental Impact Report (SCH#2008091077) prepared by the Town of Apple Valley 2009 General Plan and Annexation 2008-001;
 - b. Determine that the Town of Apple Valley’s environmental assessment is adequate for the Commission’s uses as a CEQA Responsible Agency for its consideration of LAFCO 3244;
 - c. Determine that the Commission does not intend to adopt alternatives or additional mitigation measures for the proposal; that the mitigation measures identified in the Town of Apple Valley’s environmental documents are the responsibility of the Town and/or others, not the Commission; and,

**Unavailable due to technical difficulties*

- d. Direct the Executive Officer to file the Notice of Determination within five (5) days, and find that no further Department of Fish and Wildlife filings fees are required by the Commission's approval of LAFCO 3244 since the Town of Apple Valley, as lead agency, has paid said fees.
2. Approve LAFCO 3244 with standard LAFCO terms and conditions that include, but are not limited to, the "hold harmless" clause for potential litigation costs by the applicant and the continuation of fees, charges, and/or assessments currently authorized by the annexing agency.
3. Adopt LAFCO Resolution No. 3326, setting forth the Commission's determinations and conditions of approval concerning LAFCO 3244.

9:31 am – Upon announcement of Item 6, Commissioner Rowe announces that in an abundance of caution, she is recusing herself from the item prior to staff presentation due to a potential conflict and drops off from the Zoom meeting, as advised by counsel.

The first 250 words of written comments from the following were read into the record by the Commission Clerk:

*William M. Quimby
John W. Quimby
George N. Mable
Tony Thomas*

Public comment was provided by:

*Lillian Sapp
Mark Drummond
Lee Parks
Don McAfee*

Commissioner Warren moves to approve staff recommendations. Second by Commissioner Bagley. The motion passes with the following roll call vote:

*Ayes: Bagley, Cox, Farrell, McCallon and Warren.
Noes: None.
Abstain: Rowe.
Absent: Curatalo* (Farrell voting in his stead) and Rutherford.*

10:08 am – Following the vote on Item 6, it is noted that Commissioner Rowe will not be rejoining the Zoom meeting.

DISCUSSION ITEM:

- 7. Update on Sustainability of the City of Adelanto, related to LAFCO 3232 – Sphere of Influence Amendment for the City of Adelanto**

**Unavailable due to technical difficulties*

Recommendation: Staff recommends that the Commission:

1. Review and file this report.
2. Schedule an update for the City of Adelanto for the March 2021 meeting, unless otherwise directed by the Commission.

Public comment was provided by:

*Stevevonna Evans, Council Member, City of Adelanto
Ward Komers, Finance Director, City of Adelanto*

Commissioner Warren moves to approve staff recommendation. Second by Commissioner Cox. The motion passes with the following roll call vote:

*Ayes: Bagley, Cox, Farrell, McCallon and Warren.
Noes: None.
Abstain: None.
Absent: Curatalo* (Farrell voting in his stead), Rowe** and Rutherford*

8. Review and Accept Audit Report for Fiscal Year Ended June 30, 2020

Recommendation: Staff recommends that the Commission receive and file the materials submitted by Davis Farr LLP related to the Commission's audit for Fiscal Year 2019-20

Commissioner Cox moves to approve staff recommendation. Second by Commissioner Bagley. The motion passes with the following roll call vote:

*Ayes: Bagley, Cox, Farrell, McCallon and Warren.
Noes: None.
Abstain: None.
Absent: Curatalo* (Farrell voting in his stead), Rowe** and Rutherford*

9. Mid-Year Financial Review for Period July 1 through December 31, 2020

Recommendation: Staff recommends that the Commission note receipt of this report and file.

Commissioner Farrell moves to approve staff recommendation. Second by Commissioner Warren. The motion passes with the following roll call vote:

*Ayes: Bagley, Cox, Farrell, McCallon and Warren.
Noes: None.
Abstain: None.
Absent: Curatalo* (Farrell voting in his stead), Rowe** and Rutherford*

**Unavailable due to technical difficulties*

***Left Zoom meeting*

INFORMATION ITEMS:

10. Legislative Oral Report

Executive Officer Samuel Martinez gives the Commission an update on SB 13, the bill that would extend the sunset date of its pilot program under Government Code Section 56133.5.

11. Executive Officer's Oral Report

Executive Officer Samuel Martinez states that his EO report is outlined on the staff report and reminds the Commission it will not be having a February meeting and that the next scheduled meeting is on March 17. He also makes note that the Department of Conservation has awarded the SALC planning grant to LAFCO and indicates that following notification from the DOC, staff will provide the Commission with an update.

He also informs the Commission that staff now has a new analyst and introduces Hannah Larsen and welcomes her to the team.

12. Commissioner Comments

Commissioner Warren announces the passing of council member Ken Willis from the City of Upland and expresses her heartfelt memories of his leadership and that he was a great council member and a great person.

Commissioner Bagley comments on the vaccination and is hopeful that the Commission can be together again in person soon. He also comments about the inauguration process and that it conflicts with today's meeting. He asks that in the future to have some flexibility that if there is a significant event that might conflict with the LAFCO meeting, he wouldn't mind moving LAFCO's meeting back an hour or rescheduling.

13. Comments from the Public

There is none.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION, THE MEETING ADJOURNS AT 10:54 A.M.

ATTEST:

ANGELA SCHELL, Clerk to the Commission

LOCAL AGENCY FORMATION COMMISSION

LARRY McCALLON, Chair

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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www.sbclafco.org

DATE : MARCH 10, 2021
FROM: SAMUEL MARTINEZ, Executive Officer 
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #6 – APPROVAL OF EXECUTIVE OFFICER'S
EXPENSE REPORT

RECOMMENDATION:

Approve the Executive Officer's Expense Report for Procurement Card Purchases from December 23, 2020 to January 22, 2021 and January 23, 2021 to February 22, 2021.

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 periods of December 23, 2020 to January 22, 2021 and January 23, 2021 to February 22, 2021.

The first period includes two new laptops, one for the newly hired GIS Analyst and one for the Executive Officer, whose previous laptop perished after six years of service. The billing report also shows an additional debit and credit for the same purchase amount. This is due to vendor error.

Staff recommends that the Commission approve the Executive Officers' expense reports as shown on the attachment.

SM/MT

[Attachment](#)

Approving Official (Print & Sign)	Date
Larry McCallon	03/17/21

Approving Official (Print & Sign)	Date
Larry McCallon	03/17/21

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West 3rd Street, Unit 150, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
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DATE : MARCH 10, 2021
FROM: SAMUEL MARTINEZ, Executive Officer 
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #7 - RATIFY PAYMENTS AS RECONCILED FOR
THE MONTHS OF DECEMBER 2020 AND JANUARY 2021 AND
NOTE REVENUE RECEIPTS

RECOMMENDATION:

Ratify payments as reconciled for the months of December 2020 and January 2021 and note revenue receipts for the same period.

BACKGROUND INFORMATION:

Staff has prepared a reconciliation of warrants issued for payments to various vendors, internal transfers for payments to County Departments, cash receipts and internal transfers for payments of deposits or other charges that cover the periods of:



- December 1 through December 31, 2020
- January 1 through January 31, 2021

Staff recommends that the Commission ratify the payments as outlined on the attached listing and note the revenues received.



SM/MT

[Attachment](#)

MONTH OF DECEMBER 2020 PAYMENTS PROCESSED							
Document Number	Account		Posting Date	Vendor	Invoice	Reference	Amount
1900892303	5200	2075	12/03/20	CA Special District Assoc.	6986	2021 Membership Renewal	\$ 1,482.00
1900892291	5200	2090	12/03/20	Jan Pro	74961	Cleaning Service	\$ 490.00
1900907168	5200	2180	12/18/20	So Cal Edison	2-39-945-2309	Edison Bill 12/12/2020	\$ 352.54
1900892288	5200	2315	12/03/20	Storerieve	0144852	Svc Period 11/1 to 11/30 Inv. 0144852	\$ 64.37
1900892297	5200	2335	12/03/20	Kelly Services	47019919	Temporary Services Wk Ending 11/22 Inv 47019919	\$ 213.82
1900892299	5200	2335	12/03/20	Kelly Services	46020473	Temporary Services Wk Ending 11/15 Inv 46020473	\$ 208.60
1900907164	5200	2335	12/18/20	Kelly Services	48011171	Temporary Services Wk Ending 11/29 Inv 48011171	\$ 104.30
1900907166	5200	2335	12/18/20	Kelly Services	50021279	Temporary Services Wk Ending 12/13 Inv 50021279	\$ 41.72
1900901768	5200	2445	12/16/20	Jim Bagley	BAGLEY12-16-20	Bagley Commission Stipend 12/16/2020	\$ 200.00
1900901774	5200	2445	12/16/20	Kimberly Cox	COX12-16-20	Cox Commission Stipend 12/16/2020	\$ 200.00
1900901797	5200	2445	12/16/20	James Curatalo	CURATALO12-16-20	Commission Stipend 12/16/2020	\$ 200.00
1900901799	5200	2445	12/16/20	Dieter Dammeier	DIETER12-16-20	Commission Stipend 12/16/2020	\$ 200.00
1900901801	5200	2445	12/16/20	Rick Denison	DENISON12-16-20	Commission Stipend 12/16/2020	\$ 200.00
1900901806	5200	2445	12/16/20	Steven Farrell	FARRELL12-16-20	Commission Stipend 12/16/2020	\$ 200.00
1900901813	5200	2445	12/16/20	James McCallon	MCCALL12-16-20	Commission Stipend 12/16/2020	\$ 200.00
1900901815	5200	2445	12/16/20	Dawn Rowe	ROWE12-16-20	Commission Stipend 12/16/2020	\$ 200.00
1900901819	5200	2445	12/16/20	Janice Rutherford	RUTHF12-16-20	Commission Stipend 12/16/2020	\$ 200.00
1900901825	5200	2445	12/16/20	Acqanetta Warren	WARREN12-16-20	Commission Stipend 12/16/2020	\$ 200.00
1900907180	5200	2445	12/18/20	James Curatalo	CURATALO12/18	Admin & Finance Committee Mtg 12/18/2020	\$ 200.00
1900907182	5200	2445	12/18/20	James McCallon	MCCALL12-18-20	Admin & Finance Committee Mtg 12/18/2020	\$ 200.00
1900907185	5200	2445	12/18/20	Dawn Rowe	ROWE12-18-20	Admin & Finance Committee Mtg 12/18/2020	\$ 200.00
TOTAL							\$ 5,557.35
MONTH OF DECEMBER 2020 INTERNAL TRANSFERS PROCESSED							
4101636486	5200	2031	12/01/20	IT		NOV 2020 Payroll System Services (EMACS)	\$ 40.80
4101636490	5200	2037	12/01/20	IT		NOV 2020 Dial Tone	\$ 255.06
4101633470	5200	2305	12/07/20	Purchasing		7319167611000001	\$ 11.65
4101638426	5200	2305	12/14/20	Purchasing		7319524982000001	\$ 5.18
4101638427	5200	2305	12/14/20	Purchasing		0188229151000002	\$ 16.62
4101636493	5200	2322	12/01/20	IT		NOV 2020 Enterprise Printing (EMACS)	\$ 7.14
4101636499	5200	2420	12/01/20	IT		NOV 2020 Wireless Device (Exchange Active Sync)	\$ 17.59
4101636500	5200	2421	12/01/20	IT		NOV 2020 Desktop Support Services	\$ 935.55
4101636494	5241	2410	12/01/20	IT		IT Infrastructure - Period 06	\$ 806.00
4101636497	5241	2417	12/01/20	IT		Enterprise Content Management - Period 06	\$ 157.00
4101636498	5241	2418	12/01/20	IT		Storage - Tier 3 - Period 06	\$ 192.00
4101636498	5241	2418	12/01/20	IT		Storage - Tier 1 - Period 06	\$ 211.00
4101633470	5540	5012	12/07/20	Purchasing		7319167611000001	\$ 97.05
4101638424	5540	5012	12/14/20	Purchasing		7318788024002001	\$ (15.11)
4101638425	5540	5012	12/14/20	Purchasing		7318788024001001	\$ (60.74)
4101638426	5540	5012	12/14/20	Purchasing		7319524982000001	\$ 43.16
4101638427	5540	5012	12/14/20	Purchasing		0188229151000002	\$ 138.48

4101645610	5540	5012	12/21/20	Purchasing		7318789396001001	\$ (103.65)
4200067021	5200	2424	12/14/20	Clerk to the Board		NOE - LAFCO SC#459	\$ 50.00
4200068169	5200	2424	12/30/20	Clerk to the Board		NOE - LAFCO 3245	\$ 50.00
4200068170	5200	2424	12/30/20	Clerk to the Board		NOE - LAFCO SC#457	\$ 50.00
4200068322	5540	5012	12/30/20	Purchasing		COVID-19 Reimbursements	\$ 13.29
4200067741	5200	2310	12/01/20	Mail		Mail Services - DEL	\$ 117.00
4200067743	5200	2310	12/01/20	Mail		Mail Services - FLAT	\$ 44.72
4200067745	5200	2310	12/01/20	Mail		Mail Services - HAN	\$ 333.34
TOTAL							\$ 3,413.13
MONTH OF DECEMBER 2020 CASH RECEIPTS							
4101647782	various		12/22/2020	Monte Vista Water District		Application Filing Fee and Deposits	\$ 11,949.00
4101647782	4070	9555	12/22/2020	City of Upland		Legal Cost Recovery	\$ 139.60
TOTAL							\$ 12,088.60
MONTH OF DECEMBER 2020 INTERNAL TRANSFERRED RECEIVED							
				NONE			
TOTAL							\$ -
							
COMPLETED BY:	MICHAEL TUERPE				APPROVED BY:	SAMUEL MARTINEZ	
	Senior Analyst					Executive Officer	
			Date: 3/10/2021			Date: 3/10/2021	

MONTH OF JANUARY 2021 PAYMENTS PROCESSED							
Document Number	Account	Posting Date	Vendor	Invoice	Reference	Amount	
1900918093	5200	2085	01/11/21	Daily Journal	B3418237	Legal Notice	\$ 1,123.54
1900918094	5200	2085	01/11/21	Daily Journal	B3418232	Legal Notice	\$ 677.60
1900918116	5200	2090	01/11/21	Jan Pro	75418	Office Cleaning	\$ 490.00
1900918914	5200	2090	01/12/21	City Com	UNIT: 150	Lease Payment 12/22/2020	\$ 345.00
1900929443	5200	2180	01/25/21	So Cal Edison	2-39-945-2309	Edison Bill 1/13/21	\$ 385.89
1900919289	5200	2305	01/12/21	Shred-It	8181205080	Document Shredding	\$ 19.25
1900918924	5200	2315	01/12/21	Storereive	0146453	Document Storage	\$ 64.37
1900918916	5200	2335	01/12/21	Kelly Services	51018278	Temporary Services Wk Ending 12/20 Inv 51018278	\$ 208.60
1900918919	5200	2335	01/12/21	Kelly Services	52008083	Temporary Services Wk Ending 12/27 Inv 52008083	\$ 104.30
1900918109	5200	2400	01/11/21	Best Best & Krieger	892096	BB&K General Inv. 892096	\$ 2,530.80
1900918111	5200	2400	01/11/21	Best Best & Krieger	892102	BB&K Labor & Emp Inv. 892102	\$ 92.70
1900918113	5200	2400	01/11/21	Best Best & Krieger	892103	BB&K Litigation Inv. 892103	\$ 3,028.20
1900929533	5200	2400	01/25/21	Best Best & Krieger	894787	BB&K General Inv. 894787	\$ 2,090.40
1900929534	5200	2400	01/25/21	Best Best & Krieger	894788	BB&K Litigation Inv. 894788	\$ 665.35
1900918100	5200	2405	01/11/21	Davis Farr	8661	Davis Farr Inv. 8661 Billing for FY June 2020	\$ 5,500.00
1900929441	5200	2424	01/25/21	Tom Dodson	LAFCO 20-10	Tom Dodson Inv. LAFCO 20-10	\$ 2,681.25
1900928183	5200	2445	01/21/21	Jim Bagley	BAGLEY1-20-21	Bagley Commissioner Stipend 1/20/2021	\$ 200.00
1900928187	5200	2445	01/21/21	Kimberly Cox	COX1-20-21	Cox Commissioner Stipend 01/20/2021	\$ 200.00
1900928234	5200	2445	01/21/21	James Curatalo	CURATALO1-20-21	Curatalo Commissioner Stipend 01/20/2021	\$ 200.00
1900928239	5200	2445	01/21/21	Dieter Dammeier	DIETER1-20-21	Dammeier Commissioner Stipend 01/20/2021	\$ 200.00
1900928241	5200	2445	01/21/21	Rick Denison	DENISON1-20-21	Denison Commissioner Stipend 01/20/2021	\$ 200.00
1900928244	5200	2445	01/21/21	Steven Farrell	FARRELL1-20-21	Farrell Commissioner Stipend 01/20/2021	\$ 200.00
1900928342	5200	2445	01/21/21	James McCallon	MCCALL1-20-2021	McCallon Commissioner Stipend 01/20/2021	\$ 200.00
1900928343	5200	2445	01/21/21	Dawn Rowe	ROWE1-20-21	Rowe Commissioner Stipend 01/20/2021	\$ 200.00
1900928345	5200	2445	01/21/21	Acqanetta Warren	WARREN1-20-21	Warren Commissioner Stipend 01/20/2021	\$ 200.00
1900918092	5200	2905	01/11/21	City Com	#TEN AM 15	Amortization Payment 15	\$ 8,448.33
1900918914	5200	2905	01/12/21	City Com	UNIT: 150	City Comm Lease Payment 12/22/2020	\$ 6,593.40
1900918914	5200	2905	01/12/21	City Com	UNIT: 150	City Comm Lease Payment 12/22/2020	\$ 8,464.50
TOTAL							\$ 45,313.48
MONTH OF JANUARY 2021 INTERNAL TRANSFERS PROCESSED							
4101673221	5200	2031	01/01/21	IT		DEC 2020 Payroll System Services (EMACS)	\$ 40.80
4101673223	5200	2037	01/01/21	IT		DEC 2020 Dial Tone	\$ 255.06
4101673188	5200	2322	01/01/21	IT		DEC 2020 Enterprise Printing (EMACS)	\$ 7.14
4101673227	5200	2420	01/01/21	IT		DEC 2020 Wireless Device (Exchange Active Sync)	\$ 17.59
4101673192	5200	2421	01/01/21	IT		DEC 2020 Desktop Support Services	\$ 935.55
4101673225	5241	2410	01/01/21	IT		IT Infrastructure - Period 07	\$ 806.00
4101673190	5241	2417	01/01/21	IT		Enterprise Content Management - Period 07	\$ 157.00
4101673191	5241	2418	01/01/21	IT		Storage - Tier 3 - Period 07	\$ 192.00
4101673191	5241	2418	01/01/21	IT		Storage - Tier 1 - Period 07	\$ 211.00

4200069932	5200	2424	01/26/21	Clerk to the Board		NOD LAFCO 3244	\$	50.00
4200069937	5200	2424	01/26/21	Clerk to the Board		NOD LAFCO 3243	\$	50.00
4200069938	5200	2424	01/26/21	Clerk to the Board		NOD LAFCO 3242	\$	50.00
4200069325	5200	2310	01/04/21	Mail		Mail Services - FLAT	\$	7.11
4200069326	5200	2310	01/04/21	Mail		Mail Services - HAN	\$	522.37
4200069380	5200	2310	01/04/21	Mail		Mail Services - DEL	\$	130.00
TOTAL							\$	3,431.62
MONTH OF JANUARY 2021 CASH RECEIPTS								
				NONE				
TOTAL							\$	-
MONTH OF JANUARY 2021 INTERNAL TRANSFERRED RECEIVED								
100507367	4030	8500	1/27/2021	County Treasury		QE 12/31/2020 INTEREST APPORTIONMENT	\$	1,684.68
TOTAL							\$	1,684.68
COMPLETED BY: MICHAEL TUERPE					APPROVED BY: SAMUEL MARTINEZ			
			Senior Analyst		Executive Officer			
			Date: 3/10/2021			Date: 3/10/2021		

MONTH OF JANUARY 2021 INTERNAL TRANSFERRED RECEIVED

APPROVED BY:	SAMUEL MARTINEZ
	Executive Officer

Summaring

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West Third Street, Unit 150, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 9, 2021 
FROM: SAMUEL MARTINEZ, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8: Review and Approval of Contract with Davis Farr, LLP for Financial Audit Services

RECOMMENDATION:

Staff is recommending that the Commission:

- A. Approve the Contract with Davis Farr, LLP to provide annual Financial Audit Services in the amount not-to-exceed \$34,175 for the four (4) year term, with an additional one (1) year option, at the discretion of the Commission; and,
- B. Authorize the Executive Officer to sign and execute the agreement.

BACKGROUND:

For the past several years, San Bernardino LAFCO has participated with four other LAFCOs (Imperial, Los Angeles, Orange, and Riverside LAFCOs) in a joint Request for Proposal (RFP) process for selecting auditing services. The current auditor for all five LAFCOs, Davis Farr LLP (hereafter Davis Farr), has completed its final audit under its current contract for the fiscal year ending June 30, 2020. Therefore, last year, the five LAFCOs issued a new joint RFP to prepare the audit and financial statements for each of the LAFCOs for the next four fiscal years (FY ending June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024) with an option to extend the contract for one additional year.

The RFP for audit services was issued and mailed to 61 accounting firms in September 2020. Seven firms responded to the RFP during the filing period, which ended on October 9, 2020. Those firms who responded to the RFP are as follows:

- Brown Armstrong Accountancy Corporation
- CliftonLarsonAllen, LLP
- Davis Farr, LLP

- Jacobson Jarvis and Company, PLLC
- Nigro & Nigro, PC
- The Punn Group, LLP
- Vasquez & Company, LLP

All the proposals received were provided to the Executive Officers (EO) of each of the five LAFCOs for review. A videoconference was scheduled on October 26, 2020 among the five LAFCOs, to evaluate each of the proposals received based on qualification and experience, work plan, costs for providing the service, and other factors identified in the evaluation criteria outlined in the RFP. Below is a breakdown of the quotes provided by each firm specific to San Bernardino LAFCO:

Firm Name	1st Year	2nd Year	3rd Year	4th Year	Total
Brown Armstrong	\$8,550	\$8,550	\$8,550	\$8,550	\$34,200
CLA	\$10,900	\$11,200	\$11,300	\$11,580	\$44,980
Davis Farr	\$8,300	\$8,450	\$8,625	\$8,800	\$34,175
Jacobson Jarvis & Co	\$10,800	\$10,800	\$10,800	\$11,124	\$43,524
Nigro & Nigro	\$9,000	\$9,000	\$9,000	\$9,000	\$36,000
Punn Group	\$13,000	\$13,250	\$13,500	\$13,750	\$53,500
Vasquez & Co	\$8,500	\$8,500	\$8,755	\$9,000	\$34,755

After reviewing all the proposals, the five EOs decided to interview the four (4) highest scoring firms. The interviews of the four firms took place on November 2, 2020, via videoconference. Following the interviews, all five EOs unanimously recommended the selection of Davis Farr to be the independent auditors (again) for the five LAFCOs for the next four (4) years. Davis Farr has provided excellent audit services to all five LAFCOs and each LAFCOs have been satisfied with their work.

As shown above, the four-year contract to prepare San Bernardino LAFCO's Financial Statements is for a total of \$34,175.

In addition, the new contract also provides for a possible extension, at the Commission's sole discretion, for an additional year to prepare San Bernardino LAFCO's Financial Statements (Fiscal Year Ending June 30, 2025). It should also be noted that, due to required partner rotation every six years, the new contract with Davis Farr has a new partner assigned to San Bernardino LAFCO in order to comply with said best practices set out in Government Code Section 12410.6.

Attached for your review and approval is the draft agreement with Davis Farr. Also included is Davis Farr's proposal response to the RFP. LAFCO staff recommends approval of the new contract with Davis Farr, LLP.

Attachments:

1. [Draft Contract with Davis Farr, LLP for Audit Services](#)
2. [Davis Farr, LLP Proposal](#)

**AGREEMENT FOR SERVICES BETWEEN
LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY
AND
DAVIS FARR, LLP**

This Agreement is made and entered into as of July 1, 2021 (“Effective Date”) by and between the Local Agency Formation Commission for San Bernardino County (hereinafter referred to as “LAFCO”), organized and operating pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56000 *et seq.* Davis Farr, LLP (hereinafter referred to as “Consultant”).

RECITALS

A. LAFCO is a public agency of the State of California and is in need of the following professional services: Audit Services for the fiscal year ending on June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024, as more particularly described herein (hereinafter referred to as “the Project”).

B. Consultant is a qualified independent Certified Public Accounting firm.

C. The parties desire by this Agreement to establish the terms for LAFCO to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide LAFCO with the services described in the Scope of Services attached hereto as Exhibit “A.” Should LAFCO determine, in its sole discretion, to exercise its option to renew this Agreement for an additional year as set forth in Section 5 of this Agreement, such renewed services shall be performed as described in the Scope of Services attached hereto as Exhibit “A.”

2. Compensation.

a. The total amount paid for services rendered by Consultant pursuant to Exhibit “A” for the audit of the fiscal year ending on June 30, 2021 shall not exceed \$8,300, for the fiscal year ending on June 30, 2022 shall not exceed \$8,450, for fiscal year ending on June 30, 2023 shall not exceed \$8,625, and for fiscal year ending on June 30, 2024 shall not exceed \$8,800 without prior written approval by LAFCO. Should LAFCO, in its sole discretion, exercise its option to renew this Agreement for an additional year as set forth in Section 5 of this Agreement, the total amount paid for services rendered by Consultant pursuant to Exhibit “A” for the audit of the fiscal year ending on June 30, 2025 shall not exceed \$9,000 without prior written approval by

LAFCO. Periodic payments shall be made within 30 days of receipt of a statement for services rendered. Payments to Consultant for work performed will be made on a monthly billing basis.

b. Subject to paragraph 2(a) above, LAFCO shall pay for additional consulting services in accordance with the Schedule of Additional Charges set forth in Exhibit "B."

c. LAFCO shall reimburse costs advanced by Consultant on LAFCO's behalf, as well as other expenses, in addition to the amount billed for fees. These currently include, but are not limited to, automobile mileage and actual expenses away from Consultant's offices on LAFCO business, extraordinary photocopy charges and any costs of producing or reproducing photographs, documents and other things necessary for the preparation or presentation of LAFCO business. All costs will be itemized on LAFCO's monthly statement. LAFCO shall not pay fees for travel to or from LAFCO's offices in the ordinary course of business or reimburse mileage to Consultant.

3. Additional Work.

If changes in the work seems merited by Consultant or LAFCO, and informal consultations with the other party indicate that a change is warranted, it shall be processed by LAFCO in the following manner: a letter outlining the changes shall be forwarded to LAFCO by Consultant with a statement of estimated changes in fee or time schedule. An amendment to the Agreement shall be prepared by LAFCO and executed by both parties before performance of such services or LAFCO will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the Agreement period and for seven (7) years from the date of final payment under the contract for inspection by LAFCO.

5. Term and Time of Performance.

The term of this Agreement shall be from July 1, 2021 to June 30, 2024. In its sole discretion, LAFCO may extend the Services required hereunder to include audit services related to the fiscal year ending on June 30, 2025, in writing providing notice to Consultant that such Services shall be extended for an additional year. Consultant shall perform its services hereunder in a prompt and timely manner, in accordance with the Activity Schedule shown in Exhibit "C" and shall commence performance upon the execution of this Agreement.

6. Delays in Performance.

Neither LAFCO nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited

to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns and other labor disturbances; sabotage or judicial restraint.

Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government.

b. Consultant shall assist LAFCO in obtaining and maintaining all permits required of Consultant by Federal, State and local regulatory agencies.

c. Consultant certifies by executing this Agreement that, on the Effective Date and for the duration of this Agreement, neither Consultant nor its employees assigned to perform services hereunder shall have any prohibited conflict of interest as defined under the California Political Reform Act or conflicting financial interest in this Agreement as defined under California Government Code Section 1090.

d. Consultant agrees that in the event an administrative agency or court of competent jurisdiction finds this Agreement to have been executed or administered in violation of Government Code Section 1090 or any other applicable law, that disgorgement of profits or anything received by Consultant may be required as a consequence of both civil and criminal liability. In such a case, payments made by LAFCO to the Consultant must be returned to LAFCO by the Consultant and no claim for future payments under this Agreement may be made, and LAFCO shall be entitled to retain any benefits which it receives under this Agreement.

8. Standard of Care.

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant.

Consultant shall not assign, sublet or transfer this Agreement or any rights under or interest in this Agreement without the written consent of LAFCO, which may be withheld for any reason. Nothing contained herein shall prevent Consultant from employing independent associates and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor.

Consultant is retained as an independent contractor and is not an employee of LAFCO. No employee or agent of Consultant shall become an employee of LAFCO. The work to be performed shall be in accordance with the work described in Exhibit "A," subject to such directions and amendments from LAFCO as herein provided.

11. Integration.

This Agreement represents the entire understanding of LAFCO and Consultant as to those matters contained herein, and supersedes and cancels any prior oral or written understanding, promises or representations with respect to those matters covered hereunder. This Agreement may not be modified or altered except in writing signed by both parties hereto. This is an integrated Agreement.

12. Insurance.

a. Commercial General Liability

(1) Consultant shall maintain occurrence version Commercial General Liability Insurance or equivalent form with a combined single limit of not less than \$1,000,000 per occurrence. If such insurance contains a general aggregate limit, it shall apply separately to this Agreement or be no less than twice the occurrence limit.

(2) All such policies shall name LAFCO, the Commission and each member of the Commission, its officers, employees, agents and LAFCO designated volunteers as Additional Insureds under the policy.

(3) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by LAFCO.

b. Automobile Liability

(1) At all times during the performance of the work under this Agreement the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for non-owned and hired vehicles, in a form and with insurance companies acceptable to LAFCO.

(2) Coverage for Automobile Liability Insurance shall be at least as broad as Insurance Services Office Form Number CA 0001 (ed. 6/92) covering automobile liability, Code 1.

(3) The automobile liability program may utilize deductibles, but not a self-insured retention, subject to written approval by LAFCO.

(4) All such policies shall name LAFCO, the Commission and each member of the Commission, its officers, employees, agents and designated volunteers as Additional Insureds under the policies.

c. Workers' Compensation/Employer's Liability

(1) At all times during the performance of the work under this Agreement and for 24 months following the date of Project completion and acceptance by LAFCO, the Consultant shall maintain workers' compensation in compliance with applicable statutory requirements and Employer's Liability Coverage in amounts indicated herein.

(2) Such insurance shall include an insurer's Waiver of Subrogation in favor of LAFCO and will be in a form and with insurance companies acceptable to LAFCO

(3) If insurance is maintained, the workers' compensation and employer's liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by LAFCO.

(4) Before beginning work, the Consultant shall furnish to LAFCO satisfactory proof that Consultant has taken out, for the period covered by the work under this Agreement, full compensation insurance for all persons employed directly by Consultant to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof. Consultant shall require all subconsultants to obtain and maintain, for the period covered by the work under this Agreement, workers' compensation of the same type and limits as specified in this Section.

d. Professional Liability (Errors and Omissions).

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability insurance, in a form and with insurance companies acceptable to LAFCO and in an amount indicated herein.

e. Minimum Policy Limits Required

(1) The following insurance limits are required for the Contract:

	<u>Combined Single Limit</u>
Commercial General Liability	\$1,000,000 per occurrence/aggregate for bodily injury, personal injury and property damage
Automobile Liability	\$1,000,000 per occurrence for bodily injury and property damage
Employer's Liability	\$1,000,000 per occurrence

Professional Liability
(errors and omissions)

\$1,000,000 per claim and aggregate

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with LAFCO evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 2010 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (ACORD Form 25-S or equivalent). All evidence of insurance shall be signed by a properly authorized officer, agent or qualified representative of the insurer and shall certify the names of the insured, any additional primary insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies and the expiration date of such insurance.

g. Policy Provisions Required

(1) All policies shall contain a provision for 30 days advance written notice by the insurer(s) to LAFCO of any cancellation. Statements that the carrier "will endeavor" and "that failure to mail such notice shall impose no obligation and liability upon the company, its agents or representatives," will not be acceptable on certificates.

(2) All policies shall contain a provision stating that the Consultant's policies are primary insurance and that the insurance of LAFCO or any Additional Insured shall not be called upon to contribute to any loss.

h. Additional Insurance Provisions

(1) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by LAFCO, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(2) If at any time during the life of the Agreement the Consultant fails to maintain in full force any insurance required by the Agreement documents, LAFCO may terminate the Agreement.

(3) The Consultant shall include all subconsultants as insureds under its policies or shall furnish separate certificates and endorsements for each subconsultant. All coverages for subconsultants shall be subject to all of the requirements stated herein.

(4) LAFCO may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(5) Neither LAFCO nor the Commission, nor any member of the Commission, nor any of the directors, officers, employees, agents or volunteers of LAFCO or the

Commission shall be personally responsible for any liability arising under or by virtue of this Agreement.

13. Indemnification.

Consultant agrees to protect, save, defend and hold harmless LAFCO and its Commission and each member of the Commission, officers, agents and employees from any and all claims, liabilities, expenses or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of or in any way connected with the alleged acts, errors or omissions or willful misconduct by Consultant, Consultant's agents, officers, employees, subconsultants or independent consultants hired by Consultant under this Agreement. This hold harmless Agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification, etc. to be provided by Consultant.

14. Laws, Venue and Attorneys' Fees.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of San Bernardino, State of California. In the event of any such litigation between the parties, the prevailing party shall be entitled to recover all reasonable costs incurred, including reasonable attorneys' fees, as determined by the court.

15. Termination or Abandonment.

a. LAFCO has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, LAFCO shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. LAFCO shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by LAFCO and Consultant of the portion of such task completed but not paid prior to said termination. LAFCO shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to LAFCO only in the event of substantial failure by LAFCO to perform in accordance with the terms of this Agreement through no fault of Consultant.

16 Organization.

Consultant shall assign Jeff Ball as Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of LAFCO.

17. Notice.

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

LAFCO:
1170 West Third Street, Unit 150
San Bernardino, CA 92415-0490
Attn: Executive Officer

Consultant:
Davis Farr, LLP
18201 Von Karman, Suite 1100
Irvine, CA 92612
Attn: Jonathan Foster, Partner

and shall be effective upon receipt thereof.

18. Third Party Rights.

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than LAFCO and the Consultant.

19. Severability.

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

[signatures continued on next page]

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

DAVIS FARR, LLP

By: _____
Samuel Martinez, Executive Officer

By: _____
Jonathan Foster, Partner

Approved as to Form:

Legal Counsel
Local Agency Formation Commission for
San Bernardino County

EXHIBIT A

Scope of Services

Consultant shall provide the following services:

1) Audit

- a) Consultant will perform an independent audit of all funds of LAFCO. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States.
- b) The Commission's Basic Financial Statements will be prepared and word-processed by the Consultant in full compliance with generally accepted accounting principles.
- c) The Consultant will render their auditors' report on the Basic Financial Statements that will include both Government-Wide Financial Statements and Fund Financial Statements.
- d) The Consultant will also apply limited audit procedures to Management's Discussion and Analysis ("MD&A"), consisting of the control environment, accounting systems and control procedures, and required supplementary information pertaining to the General Fund and each major fund of the Commission.

2) Management Letter

- a) The Consultant will issue a separate "management letter" that includes recommendations to the governing board for improvements in internal control that are considered to be nonreportable conditions.

LAFCO will provide the following services:

The LAFCO staff will provide normal cooperation and assistance during the audit including typing of confirmation requests, referral to the appropriate person and/or department for supporting documents and reconciliations of major asset and liability balances. LAFCO staff will prepare the MD&A and transmittal letters based on a template supplied by the Consultant. All other information and financial statements are the responsibility of the Consultant. All working papers and reports are to be retained at the Consultant's sole expense for a minimum of seven (7) years. Consultant will be responsible for making working papers available to LAFCO or any other appropriate government agency.

EXHIBIT B

Schedule of Additional Charges/Payments

Fee Schedule
for
DAVIS FARR, LLP

The following fee schedule shall apply for additional consulting services of the fiscal year ending on June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024 and June 30, 2025, if LAFCO exercises its option to renew the Agreement, in its sole discretion:

Professional Services Classification	Hourly Rates
Partners	\$165
Managers	\$130
Senior (in-Charge) Auditors	\$105
Staff Auditor	\$95

Consultant shall bill LAFCO only for the actual hours incurred in performing the services required under this Agreement, in accordance with the fee schedule set forth above, and subject to the provisions of Section 2 of this Agreement.

EXHIBIT C

Activity Schedule

Timetable of Audit Work and Deliverable Reports to be performed for the Fiscal Year ending on June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024 and June 30, 2025, if LAFCO exercises its option to renew the Agreement, in its sole discretion:

Consultant shall be responsible for performing the audit for the fiscal year ending on June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024, and June 30, 2025, if LAFCO exercises its option to renew the Agreement, in its sole discretion, in accordance with Exhibit “A” and preparation and word processing of the following financial statements:

<u>Report Description</u>	<u>Number of Copies</u>	<u>Due Date of Each Audit Year</u>
Basic Financial Statements	1 photo ready 3 hard copies (Final audit)	No later than November 30 th of every year

A draft copy of the Basic Financial Statements should be delivered to the LAFCO Executive Officer for review approximately 10 days prior to the deadline noted above.

The audit shall begin no earlier than September 1 of each year and be completed no later than November 30, following the fiscal year audited (e.g. begin no earlier than September 1st and completed in time to meet the deadline established by LAFCO for the audit of each fiscal year).



Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Prepared By:

Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, CA 92612

October 9, 2020

Contact Person:

Jonathan Foster, CPA | Partner
Office: 949.474.2020 | Direct: 949.783.1744
Email: jfoster@davisfarr.com

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APPENDIX

Project Schedule

Pricing Sheet

Peer Review Documentation

October 9, 2020

Local Agency Formation Commission
Adriana Romo
80 South Lake Avenue, Suite 870
Pasadena, CA 91101

Dear Ms. Romo,

We are pleased to provide our proposal to perform audit services to the Imperial, Los Angeles, Orange, Riverside, and San Bernardino Local Agency Formation Commissions (LAFCO) for the fiscal years ending June 30, 2021 through 2024 with an option to extend the contract for one year.

Our service philosophy is one of open and constant communication, a proactive approach and responsive, value-added services. We will listen to your ideas and concerns and will bring creative solutions to you in both financial and other operational areas. We are aware that while LAFCO has solicited numerous proposals, Davis Farr LLP would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- We take a proactive leadership role in local government accounting and auditing issues. We serve on the Government Accounting and Audit Committee of the California Society of CPAs, the CSMFO Professional Standards Committee and are frequent speakers on technical topics at conferences and training events throughout California.
- We have been auditors of Imperial, Los Angeles, Orange, Riverside and San Bernardino LAFCOs for many years. We understand the complexities of LAFCOs and you will not need to train our staff on the organizations' unique activities.
- We utilize data mining software to evaluate anomalies in your accounting data. This helps focus our auditors' attention on potential errors in the accounting records and transactions that could be more susceptible to fraud.
- Davis Farr will not delegate or subcontract its responsibilities as part of the audit of the LAFCOs.

We appreciate the opportunity to share our credentials and look forward to developing our professional relationship. Our proposal remains a firm and irrevocable offer for 60 days. I certify that I am authorized to make representations for the firm and enter into contract with LAFCO. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 783-1744.

Very truly yours,



Jonathan Foster, CPA
Partner

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section A – About Davis Farr LLP

Background Information – Davis Farr LLP is a full-service regional accounting firm that specializes in providing attest and advisory services to federal, state, and local governments as well as non-profit entities out of our Orange County and San Diego offices. This engagement would be serviced by our Orange County office located in Irvine. Our personnel have served governmental and non-profit entities for over 30 years. A breakdown of our government audit personnel by classification is as follows:

Classification	Employees
<i>Partners</i>	7
<i>Managers</i>	8
<i>Supervisors</i>	4
<i>Seniors</i>	17
<i>Staff</i>	13
<i>Administrative</i>	3
Total Personnel	52

License to Practice in California – Davis Farr LLP and all key personnel are licensed with the California State Board of Accountancy to practice as independent certified public accountants.

Independence – Davis Farr LLP is independent with respect to Local Agency Formation Commission as defined by U.S. General Accounting Office's *Government Auditing Standards* and Generally Accepted Auditing Standards.

Insurance – Davis Farr LLP has sufficient insurance coverage to meet or exceed the Agency's requirements and will provide insurance certificates to the Agency prior to entering a contract.

Quality Control – Davis Farr LLP and its Partners are members of the American Institute of Certified Public Accountants (AICPA) and is a member of the AICPA's Government Audit Quality Center. Our firm is a voluntary participant in the AICPA Peer Review Program. Included in the appendix is our most recent Peer Review report where our firm received a *Pass*. A *Pass* demonstrates the highest level of quality control in a Peer Review. The Peer Review included a review of government engagements. Davis Farr LLP has not had any federal or state desk reviews or field reviews during the past three years apart from a routine review performed by the Department of Transportation (DOT). The report concluded that our audit work complied with the requirements of the single audit act, the uniform guidance, and DOT's major programs and included a recommendation related to documentation. There has been no disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

Training – Every professional of the firm must enroll in continuing professional education courses. Each person is required to take at least 80 hours of training over a two-year period including 24 hours a year specific to government accounting and audit topics. Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Professional Affiliations

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr LLP is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards.

Cal CPA – Many of the CPAs employed by Davis Farr LLP are members of Cal CPA and regularly participate in chapter meetings, education, and events. Cal CPA recognized one of Davis Farr LLP's Partners with their **Women to Watch** award in the Experienced Leader category. Davis Farr LLP partners are also members of the **Governmental Accounting and Auditing Committee** of the CalCPA. Jennifer Farr was recently appointed the new chair of the committee for a two year term.

American Institute of CPAs – Davis Farr LLP and the firm's Partners are members of the American Institute of CPAs (AICPA). The AICPA develops standards for audits, provides educational guidance materials to its members, and monitors and enforces compliance with the profession's technical and ethical standards.

CSMFO – The Partners of Davis Farr LLP are members of the California Society of Municipal Finance Officers (CSMFO), the statewide organization serving all California municipal finance professionals. Firm personnel regularly attend CSMFO Chapter Meetings and Conferences. The Partners of Davis Farr LLP are frequent presenters on accounting and auditing technical topics at Chapter Meetings and Conferences.

GFOA – The Government Finance Officers Association (GFOA) enhances and promotes the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The Partners of Davis Farr LLP are members of the Certificate of Achievement Program's Special Review Committee. The Committee reviews Comprehensive Annual Financial Reports submitted to GFOA for the CAFR Award Program.

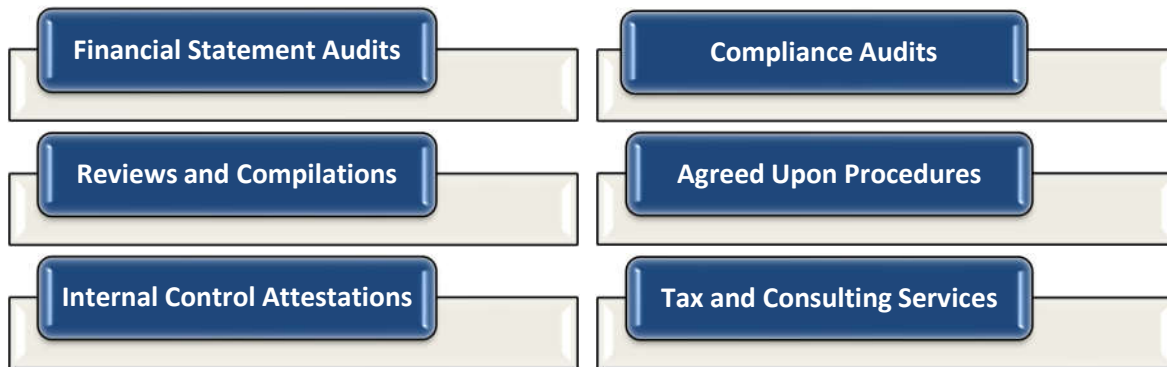


Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section B – Our Prior Experience Auditing Government Agencies

Davis Farr LLP is a leader in the local government sector throughout the Southern California Area. Currently, we service approximately 60 local, state, and federal government entities. Davis Farr LLP services routinely provided to our clients include, but are not limited to:



Our government expertise includes Cities, Special Districts, and other Governmental entities. Some of the government agencies that the professionals of Davis Farr LLP have served recently are the following:

City of Avalon	Cucamonga Valley Water District
City of Carlsbad	Eastern Municipal Water District
City of Commerce	Hass Avocado Board
City of Coronado	Irvine Ranch Water District
City of Costa Mesa	Leucadia Wastewater District
City of Dana Point	Metropolitan Water District of Southern CA
City of Delano	Municipal Water District of Orange County
City of Encinitas	Orange County LAFCO
City of Fontana	Oxnard Housing Authority
City of Fountain Valley	Placer County Water Agency
City of Garden Grove	Salton Sea Authority
City of Huntington Beach	San Diego County Water Authority
City of Laguna Niguel	San Diego Association of Governments
City of Mission Viejo	San Diego LAFCO
City of Poway	San Dieguito Riverpark Authority
City of Rancho Santa Margarita	Sweetwater Authority
City of Santee	Tahoe Regional Planning Agency
City of Victorville	Tahoe Transportation District
City of Woodland	Vallecitos Water District
County of Fresno Housing Authority	Walnut Valley Water District
County of San Diego	West Basin Municipal Water District

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section C – Client References

For your convenience, we have listed below references for audit work currently being performed by Davis Farr LLP personnel for several clients. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

	Client	Client Contact	Telephone/Email
1.	San Diego Association of Governments 401 B Street San Diego, CA 92101	Leanne Wallace <i>Accounting Supervisor</i>	619.669.0728 lwallace@sandag.org
2.	Cucamonga Valley Water District 10440 Ashford Street Rancho Cucamonga, CA 91730	Jennifer Fillinger <i>Accounting Supervisor</i>	909.483.7453 jenniferf@cvwdwater.com
3.	Irvine Ranch Water District 15600 Sand Canyon Ave Irvine, CA 92618	Eileen Lin <i>Controller</i>	949.453.5345 lin@irwd.com

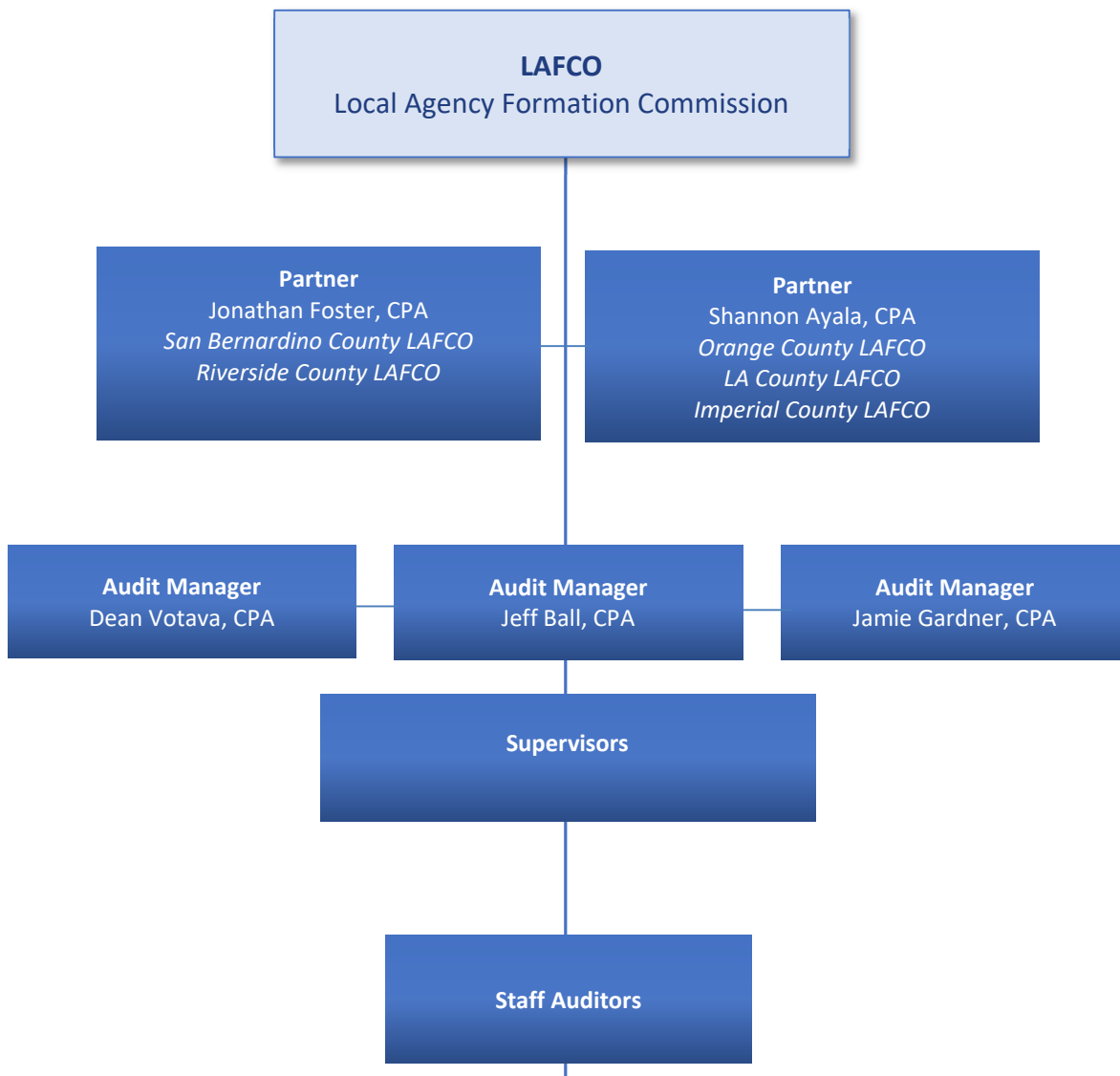
Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section D – Partner, Supervisory and Staff Qualifications and Experience

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve Local Agency Formation Commission have served together as a team of professionals on numerous financial audit examinations of local government entities. While not anticipated, any personnel substitutions will be of equally qualified personnel.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results Local Agency Formation Commission. In that regard, we have proposed two partners for the following engagements. Any partner rotation may occur as needed due to State law.



Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JONATHAN FOSTER, CPA **PARTNER**

California CPA Certificate No. 117853



Mr. Foster will serve as the Partner for the Riverside and San Bernardino LAFCO Audits. He will also serve as the Quality Control Reviewer for the Orange County, LA County and Imperial County LAFCO's. Mr. Foster has 13 years of audit experience with government agencies. The types of audits Mr. Foster is involved in includes financial audits of cities and special districts and Single Audits in accordance with the Uniform Guidance. Mr. Foster is also a CAFR and Budget reviewer for the CSMFO award and is a regular presenter at firm wide training and external training events as requested. He was a featured speaker at the 2019 CSMFO conference in Palm Springs where he presented on *Capital Assets: Bridging the GAAP between Engineering and Finance*.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
California Society of Certified Public Accountants
Member of Cal CPA Government Audit & Accounting Committee
California Society of Municipal Finance Officers (*CAFR and Budget Award Reviewer*)

EDUCATION

Bachelor of Accountancy, *University of San Diego*

AUDITS OF GOVERNMENT AGENCIES

City of Avalon
City of Commerce
City of Dana Point
City of Delano
City of Fontana
City of Huntington Beach
City of Rancho Santa Margarita
City of Costa Mesa

Cucamonga Valley Water District
East Orange County Water District
Irvine Ranch Water District
Placer County Water Agency
Trabuco Canyon Water District
Placer County Water Agency
San Diego Association of Governments
San Bernardino Municipal Water Department

Additionally, throughout his career, Mr. Foster has performed audits across the country under the direction of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and SSAE 18 audits under the direction of the Center for Medicare and Medicaid Services (CMS).

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

SHANNON AYALA, CPA
PARTNER

California CPA Certificate No. 88126, January 2004



Ms. Ayala will serve as the Partner for the Orange County, LA County and Imperial County LAFCOs on this audit. She will also serve as the Quality Control Reviewer for the Riverside and San Bernardino LAFCO's. She will oversee the project to ensure all required deadlines are met, provide technical assistance to the audit team, and review the final reports before they are released. Ms. Ayala is a Certified Public Accountant with seventeen years of audit experience, spending most of that time on audits for local governments in San Diego County. Ms. Ayala has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with Uniform Guidance, and compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: June 2015-current
Ten years at a National CPA firm
Two years at Lennar Homes

EDUCATION

Bachelor of Science – Accounting, *San Diego State University*

GOVERNMENT AGENCY AUDIT EXPERIENCE

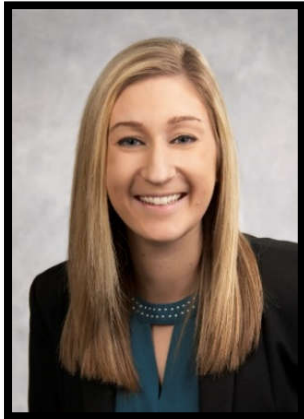
City of Carlsbad	Leucadia Wastewater District
City of Coronado	Rancho California Water District
City of Del Mar	Salton Sea Authority
City of Escondido	San Diego Association of Governments
City of Poway	San Diego County Water Authority
City of San Marcos	San Dieguito River Park Joint Powers Authority
City of Santee	Sweetwater Authority
LAFCO – Imperial County	Vallecitos Water District
LAFCO - San Diego County	

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JAMIE GARDNER, CPA MANAGER

California CPA Certificate No. 125643



Jamie Gardner will serve as the Manager for the Orange County and Riverside County LAFCOs. She has eight years of experience in government auditing and accounting and has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with the Uniform Guidance, and compliance audits. As manager, Ms. Gardner will be involved in reviewing audit workpapers, reviewing all reports, managing the audit team and performing field visits.

EDUCATION

Bachelor of Science in Business Administration: Accounting
Biola University

RELEVANT EXPERIENCE

Local Government – Municipal

Ms. Gardner serves as the manager on the following annual engagements:

Hass Avocado Board	Los Angeles County Capital Asset Leasing Corp
Irvine Ranch Water District	Placer County Water Agency
IHSS Public Authority of Marin County	San Diego County Water Authority
LAFCO - Orange, Riverside, & San Diego Counties	Soquel Creek Water District

Additionally, throughout Ms. Gardner's career, she has served in various capacities on the annual financial audits or agreed-upon procedures of the following cities and special districts:

City of Costa Mesa	Fresno Housing Authorities
City of Inglewood	<i>LAFCO - Los Angeles & San Diego Counties</i>
City of Woodland	San Diego Association of Governments
City of Victorville	San Diego Pooled Insurance Program Authority
County of San Diego	South Orange County Wastewater Authority

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

DEAN VOTAVA, CPA SENIOR MANAGER



California CPA Certificate No. 64413, March 1993

Mr. Votava will serve as the manager of Los Angeles County LAFCO. He has 33 years of audit experience, spending the majority of that time on audits for Federal and local governments. The types of audits Mr. Votava has been involved in include: financial audits of cities, special districts and housing authorities; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with the Uniform Guidance and OMB Circular A-133; and Federal compliance audits.

EDUCATION

Bachelor of Business Administration – Accounting, *University of North Dakota, Grand Forks*

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
California Society of Certified Public Accountants

AUDITS OF SPECIAL DISTRICTS

Coachella Valley Parks District
Coachella Valley Water District
Irvine Ranch Water District
Los Angeles Homeless Serv Authority
LA County LAFCO
Orange County Water District

San Diego Association of Governments
Tahoe Regional Planning Agency
Tahoe Transportation District
Ventura Regional Sanitation District
Walnut Valley Water District
West Basin Municipal Water District

AUDITS OF CITIES

City of Carlsbad
City of Commerce
City of Costa Mesa
City of Del Mar
City of Delano
City of El Segundo
City of El Segundo
City of Escondido
City of Garden Grove

City of Indio
City of Laguna Niguel
City of Mission Viejo
City of Orange
City of Palm Springs
City of Riverside
City of Torrance
City of Upland
City of Vista

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

FEDERAL GOVERNMENT

Special Inspector General for Afghanistan Reconstruction

OTHER AUDITS

Area Housing Authority of the County of Ventura
City and County of the Fresno Housing Authority
City of Los Angeles Housing Authority

City of Oxnard Housing Authority
County of San Bernardino Housing Authority

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JEFF BALL, CPA SENIOR MANAGER

California CPA Certificate No. 130841



Jeff Ball will serve as the manager of the San Bernardino LAFO. Mr. Ball has over ten years of audit experience. His experience has encompassed financial and compliance audits of governmental agencies, which have been performed in accordance with Government Auditing Standards and have all included a review of the entity's internal control and financial management system. Mr. Ball has performed financial statement audits of special districts and cities; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits; and compliance audits. He will conduct the day-to-day fieldwork, supervise all staff auditors on the engagement, and will prepare all financial statements and reports.

EDUCATION

Bachelor of Science, Business Economics w/ Emphasis Accounting
University of California, Santa Barbara

PROFESSIONAL AFFILIATIONS

California Society of Municipal Finance Officers
Audit Advisory Committee – City of Tacoma

RELEVANT EXPERIENCE

Special Districts

Beach Cities Heath District
Bighorn-Desert View Water Agency
Eastern Municipal Water District
Omnitrans
Salton Sea Authority
San Bernardino LAFCO

San Bernardino Water Authority
San Diego LAFCO
San Diego Port Authority
San Gabriel Water Quality Authority
South Montebello Irrigation District

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Local Government

City of Avalon
City of Costa Mesa *
City of Culver City
City of Fountain Valley
City of Highland
City of Inglewood
City of Lake Elsinore *
City of Mission Viejo
City of Moreno Valley
City of Morgan Hill *

City of Rancho Santa Margarita
City of Solana Beach
City of Santee
City of Huntington Beach *
City of Whittier
City of Victorville
City of Woodland
County of San Diego *
County of Placer *
City of Irvine *

* - Mr. Ball served as either engagement in-charge or manager on these engagements to perform Agreed Upon Procedures regarding Transient Occupancy Tax compliance.

Additionally, Mr. Ball serves as the engagement manager on the audit of financial information for approximately 35 health care plans as part of an engagement with CMS, SSAE 16 engagements, performance audits for the Special Inspector General for Afghanistan Reconstruction and audits of non-profit organizations summarized below:

Berkeley Hall School (NPO)
Earth Economics (NPO)
Special Inspector General

National Government Services (SSAE 16)
Center for Medicare and Medicaid Services

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

STEPHEN SCANNELL SUPERVISOR



Mr. Scannell will serve as the in-charge for Los Angeles County LAFCO. He has four years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Mr. Scannell has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; Agreed upon procedure tax compliance audits; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: December 2015 to present
Other Professional Work Experience: Airline Captain, 2002 to 2011

EDUCATION

Bachelor of Science in Accounting, *Biola University*

AUDITS OF SPECIAL DISTRICTS

Cucamonga Valley Water District
Eastern Municipal Water District
LAFCO - Los Angeles & Orange Counties
Los Angeles Interagency Metro Police
Apprehension Crime Tax Force

Puente Basin Water Agency
San Bernardino Municipal Water
Sunny Slope Water Company
Walnut Valley Water District
West Basin Municipal Water District

AUDITS OF CITIES

City of Avalon
City of Commerce
City of El Segundo

City of Fontana
City of Upland

OTHER AUDITS – TRANSIENT OCCUPANCY TAX COMPLIANCE / AUP

City of Avalon
City of Corona
City of Costa Mesa
City of Cypress
City of Garden Grove
City of Huntington Beach
City of Indio
City of Irvine
City of Lake Elsinore

City of Morgan Hill
City of Newport Beach
City of South Gate
County of Placer
County of San Diego
County of Los Angeles Ground Lease
Hass Avocado Board
Sunkist Growers

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

LOI CHAU, CPA
SUPERVISOR

California CPA Certificate No. 139559

INTRODUCTION

Ms. Chau will serve as the in-charge for Orange County LAFCO. She has four years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Ms. Chau has been involved include: financial audits of non-profits, cities and special districts; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: May 2017 to present
Kushner, Smith, Joanou & Gregs, LLP: 2017 (internship)

EDUCATION

Bachelor of Science in Business Administration/Accountancy, California State University Long Beach

RELEVANT EXPERIENCE:

AUDITS OF SPECIAL DISTRICTS

Area Housing Authority of Ventura County
Beach Cities Health District
LAFCO - Orange County

Metropolitan Water District
Placer County Water Agency
West Basin Municipal Water District

AUDITS OF CITIES

City of Commerce
City of Fontana

City of Laguna Niguel
City of Victorville

FEDERAL GOVERNMENT

Centers for Medicare and Medicaid Services
U.S. Department of Justice

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

ERIC VAN DER HOORN
SUPERVISOR

INTRODUCTION

Mr. van der Hoorn will serve as the in-charge of San Bernardino County LAFO. He has over three years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Mr. van der Hoorn has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: May 2017 to present

EDUCATION

Bachelor of Arts in Accounting & Finance, Concordia University, Irvine

RELEVANT EXPERIENCE:

AUDITS OF SPECIAL DISTRICTS

Hass Avocado Board
Tahoe Regional Planning Agency

Trabuco Canyon Water District

AUDITS OF CITIES

City of Avalon
City of Costa Mesa
City of Garden Grove
City of Huntington Beach

City of Laguna Niguel
City of Rancho Santa Margarita
City of South Gate
City of Upland

OTHER AUDITS

County of Placer
Cucamonga Valley Water District
LAFCO - San Bernardino County

Tahoe Transportation District
Walnut Valley Water District
West Basin Municipal Water District

FEDERAL GOVERNMENT

Centers for Medicare and Medicaid Services
Special Inspector General for Afghanistan Reconstruction

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

KRISZTINA VARGA
SUPERVISOR

INTRODUCTION

Ms. Varga will serve as the in-charge for Imperial County LAFCO. She has four years of audit experience, spending the majority of that time on audits for non-profits, and local government. The types of audits Ms. Varga has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; and Single Audits in accordance with OMB Circular A-133.

EMPLOYMENT HISTORY

Davis Farr LLP: July 2017 to present
Inveco USA: 2012 to 2017

EDUCATION

Bachelor of Arts in Business Administration/Accounting, California State University of San Marcos

RELEVANT EXPERIENCE:

AUDITS OF SPECIAL DISTRICTS

Eastern Municipal Water District
Encinitas Ranch Golf Authority
LAFCO - Imperial & San Diego Counties
Leucadia Wastewater District
Rancho California Water District

San Diego Association of Governments
San Diego County Office of Emergency Services
San Diego County Water Authority
San Diego Geographic Information Source
San Dieguito River Park Valley JPA

AUDITS OF NON-PROFITS

Family YMCA of the Desert
San Diego Children's Discovery Museum

AUDITS OF CITIES AND COUNTY

City of Carlsbad
City of Poway
City of Santee

City of Vista
County of San Diego

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

ZACK ZITHISAKTHANAKUL, MPAcc
SUPERVISOR

INTRODUCTION

Mr. Zithisakthanakul will serve as the in-charge for Riverside County LAFCO. He has approximately four years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Mr. Zithisakthanakul has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: January 2018 to present
Conrad LLP: May 2017 to December 2017

EDUCATION

Bachelor of Arts in Business Administration, *Vanguard University*
Masters of Professional Accountancy, *Biola University*

RELEVANT EXPERIENCE:

AUDITS OF SPECIAL DISTRICTS

Hass Avocado Board
Orange County Sanitation District
Riverside LAFCO

Tahoe Regional Planning Agency
Trabuco Canyon Water District
West Orange County Water Board

AUDITS OF CITIES

City of Coronado
City of Costa Mesa
City of Garden Grove

City of Huntington Beach
City of Mission Viejo

FEDERAL GOVERNMENT

Centers for Medicare and Medicaid Service
Special Inspector General for Afghanistan
Reconstruction

Section E – Audit Approach

Davis Farr plans and conducts our engagements in the most efficient manner possible, and our audit approach is unique with regard to the following:

- Our firm is sensitive to the priorities and work requirements of our clients. We work around the schedules of our clients when scheduling segments of the audit or requesting documentation in order to minimize disruption of District staff and to complete the audit in a timely manner.
- Whenever possible, we use accounting support already prepared by LAFCO staff to avoid duplication or unnecessary requests for audit supporting schedules.
- Our firm's expertise is in governmental auditing. Our auditors are GASB experts and skilled at addressing audit issues that are specific to local governments. You will not spend time training our personnel.
- When formulating internal control recommendations, we obtain a thorough understanding of the specific circumstances to provide a tailored, practical recommendation.
- Throughout the year we are a resource to our clients in providing accounting advice, researching technical questions, dealing with tax problems, and helping with other problems as they arise.

Audit Software – We utilize CaseWare audit software for the electronic workpapers. We have the ability to accept audit documentation in either hard copy or electronic format. CaseWare allows us the ability to import trial balances that can be provided in either excel or a text document. Some of the benefits of using CaseWare trial balance software are as follows:

- We create our own lead sheets (i.e., analytical review comparison schedules). This limits the amount of time finance staff spends creating audit schedules. Our software automatically generates analytical review reports by account number for ease of analyzing significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the CaseWare trial balances. As a result, we can provide LAFCO with financial statements almost immediately after receiving the trial balance from LAFCO. Additionally, journal entries are easy to post to the financial statement schedules and the risk of data entry error is minimized.
- We can provide LAFCO with reports showing the coding of the financial statement schedules for ease of review by District staff. These reports show each account coded to a specific financial statement line item as well as journal entries that are posted during the audit.

Data Mining Software

We have a dedicated team of personnel trained to use special data mining software, IDEA. Our software uses source data from your accounting system to search for anomalies, such as duplicate or voided checks, cross-referencing vendor addresses with employee addresses, detecting accounting transactions recorded on the weekend, reviewing journal entry postings for unauthorized individuals. The IDEA software identifies specific transactions for the auditors to review for potential fraud or error.

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Internal Control Evaluation

Our approach to evaluating internal controls involves observation and inquiry. We spend time with the personnel responsible for the accounting cycles to gain an understanding of the processes. We also carefully evaluate your policies and procedures. After our initial evaluation, we identify key controls in your processes and design test to evaluate the effectiveness of those processes. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements
- Payroll
- Investment and cash controls
- Information systems

In future years, we will review the accounting cycles noted above but also look at other processes such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and other areas. Our goal is to modify our audit approach every year to further evaluate your internal controls.

Audit Stage	Procedures Performed
<i>Planning and inquiry</i>	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none">• Meet with finance personnel to obtain an understanding of significant transactions during the year.• Communicate with the Board of Commissioners regarding fraud, compliance with laws, and any concerns they have regarding the finances of LAFCO.• Perform internal control evaluations as noted on the previous page.• Determine materiality levels that will be used in selecting audit transactions.• Perform a risk assessment to develop the audit plan for the year.• Review minutes of Board of Commissioners meetings.• Review important new contracts, bond documents, and agreements.• Evaluate compliance with investments.• Test purchase orders and contract management.• Test a sample of cash disbursements to determine adherence to policies and internal controls.• Perform a review of LAFCO's information systems and controls.• Perform compliance testing of federal grants, as necessary.• Review the prior audited financial statements and provide feedback to staff regarding best practices for financial reporting.• Provide a GASB Update and templates for implementing new accounting standards as necessary.

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Year-End Testing	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none">• We will confirm 100% of all cash and investment balances and test market values provided by your investment custodians.• We will test for proper cutoffs of accounts receivable and grants receivable.• We will confirm and test material notes and loans receivable.• We will test additions and deletions to capital assets. We will review depreciation expense for reasonableness.• We will test current liabilities and perform a search for unrecorded liabilities.• We will review unearned revenue balances for proper cutoffs.• We will test the balances of accrued payroll and employee related liabilities.• We will confirm long-term debt with independent parties.• In years of new debt issuances, we will review the journal entry to record the debt to ensure the accuracy of the accounting.• We will test actuarial valuations and calculations related to pension obligations and disclosures under GASB 68.• We will test reasonableness of claims and judgments payable.• We will test restrictions and classifications of net position.• We will analyze grant revenues and expenses to ensure proper matching within the fiscal year.• We will test the reasonableness of interest income, realized, and unrealized gains/losses on investments.• We will analytically and substantively test revenues and expenses reported in the financial statements.• We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc. <p>The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. During the final stage of the audit we will meet with Finance staff to review our audit findings and any adjusting journal entries.</p>
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Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Completion of the Audit and Preparation of Financial Statements	<p>The nature and extent of the work required is dependent on our assessment of the likelihood of misstatements in the financial statements together with our conclusions from the planning and testing stages of the audit. All of the audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> • We will review significant events after year end • We will review attorney letters for significant legal matters • We will prepare and review the Financial Statements • We will ensure accurate and complete disclosures in the notes to the financial statements. • We will meet with the Board of Commissioners to present the results of the audit.
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Section F – Implementation of New GASB Pronouncements

LAFCO will be required to implement the following accounting standards during the upcoming fiscal years. Part of our service to you includes consulting on these new auditing standards. A sampling of significant new GASB pronouncements planned or proposed for local governments that may impact the Local Agency Formation Commission are listed below:

GASB	Description
<i>GASB 84: Fiduciary Activities</i>	This statement establishes criteria for identifying fiduciary activities of all state and local governments. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. We will work with LAFCO to identify the activities required to be reported in these four fund types and provide transition guidance.
<i>GASB 87: Leases</i>	The objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments.
<i>GASB 90: Majority Equity Interests</i>	This statement is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
<i>GASB 91: Conduit Debt Obligations</i>	The primary objectives of this Statement are to eliminate diversity in practice associated with conduit debt obligations.

Section G – Scope of Work

Our understanding of the objectives and scope of the work to be performed is as follows:

- We will perform an audit examination of the financial statements of the Local Agency Formation Commission for the fiscal years ending June 30, 2021. Our examination will be conducted in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States. We will ensure that the report is prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- We will prepare a letter to the Board of commissioners summarizing the audit results in accordance with the Codification of Auditing Standards Section 260.
- We will prepare a letter to the Board of Commissioners reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by the Codification of Auditing Standards Section 265. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- We will attend Board of Commissioner's meetings as requested and present the results of the audit to the Board.
- Finally, we perceive the scope of our work as being advisors to LAFCO regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of LAFCO will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, tax and any other matters relating to LAFCO. Each year, we will go over upcoming accounting standards in a meeting with staff.

Identification of Anticipated Potential Audit Problems

We do not believe there will be any anticipated potential audit problems.

APPENDIX

**EXHIBIT B
PROJECT SCHEDULE**

IMPERIAL

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

LOS ANGELES

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

ORANGE

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

RIVERSIDE

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

SAN BERNARDINO

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

***Include any additional tasks, as you feel appropriate and necessary.
*These schedules are subject to negotiation with each respective LAFCO.***

**EXHIBIT C
PRICING SHEET**

LAFCO	Description of Services	Estimated Hours	Year Ended June 30				1-yr option to extend
			2021	2022	2023	2024	
<u>1. Imperial</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$8,300	8,450	8,625	8,800	9,000
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$8,550	8,705	8,885	9,065	9,270
<u>2. Los Angeles</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$7,600	7,750	7,900	8,000	8,225
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$7,850	8,005	8,160	8,265	8,495
<u>3. Orange</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$7,155	7,230	7,375	7,500	7,650
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$7,405	7,485	7,635	7,765	7,920

LAFCO	Description of Services	Estimated Hours	Year Ended June 30				1-yr option to extend
			2021	2022	2023	2024	
<u>4. Riverside</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$7,600	7,750	7,900	8,000	8,225
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$7,850	8,005	8,160	8,265	8,495
<u>5. San Bernardino</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$8,300	8,450	8,625	8,800	9,000
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$8,550	8,705	8,885	9,065	9,270

Hourly Rates:

Classification	Hourly Rate	Estimated No. of Hours
Partner	\$165	35
Manager	130	53
Senior Auditor	105	140
Staff Accountant	95	122



Report on the Firm's System of Quality Control

Davis Farr LLP

Irvine, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Davis Farr LLP (the firm) in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and examination of a service organization (SOC 1, Type 2 Report).

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

CPAs ■ Advisors

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gyl@gylcpa.com
www.gylcpa.com



Opinion


In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Davis Farr LLP has received a peer review rating of *pass*.

GFL LLP

Ontario, California
September 23, 2019

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West Third Street, Unit 150, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 9, 2021 
FROM: SAMUEL MARTINEZ, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #9: Review and Approval of Cooperative Agreement with the Inland Empire Resource Conservation District related to the Sustainable Agricultural Lands Conservation (SALC) Program Planning Grant

RECOMMENDATION:

Staff is recommending that the Commission:

- A. Approve the Cooperative Agreement with the Inland Empire Resource Conservation District to complete the Planning Grant project that was awarded to this LAFCO by the Department of Conservation for its application of a Sustainable Agricultural Lands Conservation (SALC) Program Planning Grant; and,
- B. Authorize the Executive Officer to sign and execute the agreement.

BACKGROUND:

In July 2020, the Commission authorized the Executive Officer to submit a Planning Grant application to the California Department of Conservation (DOC) under its Sustainable Agricultural Lands Conservation (SALC) Program.

The Planning Grant application was a joint effort between staffs from LAFCO and the Inland Empire Resource Conservation District (IERCD). After months of coordinating and evaluating ideas, both agencies came up with a project proposal that aims to create a local tool for the preservation of agriculture lands, which currently does not exist in San Bernardino County. The goal is to establish an agricultural conservation program and developing a mitigation program that classifies important farmland and agricultural lands remaining in the valley region of San Bernardino County that can be preserved in perpetuity, while continuing to address housing and growth needs.

Originally, IERCD took the lead on the Planning Grant. However, prior to submission of the Planning Grant, IERCD and LAFCO staffs were informed that resource conservation districts are only eligible applicants for DOC's agricultural conservation acquisition grants – not planning grants. Since IERCD could no longer serve as the applicant for the Planning Grant application, the Commission approved LAFCO taking the lead and became the official applicant for the Planning Grant.

As the applicant, LAFCO staff will primarily support IERCD staff in carrying out the scope of work outlined in the grant application. LAFCO would also have the responsibility for collecting invoices and reports from IERCD and submitting said invoices and reports to the DOC.

IERCD will be responsible for completing—in collaboration with LAFCO—the scope of work, along with partners identified in the grant application. IERCD will hire and manage the staffing and consultants necessary to carry out the scope of work with the exception of the environmental consultant (*LAFCO will manage the funding of the environmental consultant through its existing contract with said consultant*). IERCD will also manage the grant reporting requirements as well as manage much of the financial aspects of the grant such as paying consultants and purchasing supplies.

Cooperative Agreement

The cooperative agreement is a general agreement between LAFCO and IERCD regarding the responsibilities of each agency. It provides for a process for reimbursement of all direct costs, including staff/consultant costs, incurred during the grant period related to the project. The cooperative agreement outlines a number of responsibilities for LAFCO related to reimbursement, disbursement of funds, and monitoring/evaluation. The cooperative agreement also outlines a number of responsibilities for IERCD related to reporting, accounting, publicity requirements, and other tasks outlined in the cooperative agreement. The total not-to-exceed reimbursement that IERCD will receive through this cooperative agreement is \$139,650. This includes the total for IERCD's costs excluding its required match funding, consultants' costs (i.e. legal counsel, economic consultant, professional facilitator, etc.) and other direct costs associated with the Project.

CONCLUSION:

LAFCO staff is recommending approval of the Cooperative Agreement with IERCD and authorization for the Executive Officer to sign the Cooperative Agreement.

Attachment: [Draft Cooperative Agreement with the Inland Empire Resource Conservation District Including Attached Work Plan \(Exhibit A\)](#)

COOPERATIVE AGREEMENT

This Cooperative Agreement (“Cooperative Agreement”) is entered into by and between the Local Agency Formation Commission for San Bernardino County, a California public agency (“LAFCO”), and the Inland Empire Resource Conservation District, a California public agency (“IERCD”). This Cooperative Agreement is dated March ___, 2021. LAFCO and IERCD are sometimes referred to individually herein as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, the California Strategic Growth Council has established the Sustainable Agricultural Lands Conservation Program (“Program”) administered by the California Department of Conservation (“DOC”); and

WHEREAS, the Program provided Funding to LAFCO to perform an analysis of existing agricultural resources, identify priority agricultural lands to conserve in the San Bernardino Valley, assess existing policies for local municipalities to determine if these policies address agricultural preservation, and develop a local tool for the preservation of agriculture lands; and

WHEREAS, LAFCO and IERCD seek to cooperate to complete the goals and deliverables of the Program outlined above and as further described in **Exhibit A** to this Cooperative Agreement, attached hereto and incorporated herein by this reference (collectively, the “Work”); and

WHEREAS, LAFCO and IERCD each desire to enter into this Cooperative Agreement for the reimbursement of certain costs of the Work to the IERCD by LAFCO through the Sustainable Agricultural Lands Conservation Grant, upon the terms and conditions set forth herein,

NOW, THEREFORE, the Parties agree as follows:

TERMS

1. **Term.**

1.1 **Effective Date.** This Cooperative Agreement will become effective on the date first set forth above (“Effective Date”).

1.2 **Term.** This Cooperative Agreement shall be in effect commencing upon the Effective Date and shall automatically terminate May, 24th 2023 unless otherwise agreed in writing by the Parties or unless earlier terminated pursuant to the terms hereof, except that the indemnification obligations herein shall survive any termination of this Cooperative Agreement.

2. Representations and Warranties.

2.1 **IERCD's Warranties.** IERCD represents and warrants to LAFCO that, as to the IERCD's actual current knowledge:

(a) The IERCD is a public agency or duly formed corporation authorized and qualified to do business in California;

(b) The IERCD shall provide to LAFCO, on or before execution of this Cooperative Agreement, any applicable public agency or corporate resolution or corporate bylaws authorizing those individuals signing for the IERCD to sign and bind the IERCD, as well as certificates of incumbency for those individuals signing for the IERCD, if applicable;

(c) The IERCD has taken all actions required by law to approve the execution of this Cooperative Agreement;

(d) The IERCD's entry into this Cooperative Agreement and/or the performance of the IERCD's obligations hereunder does not violate any contract, agreement, or other legal obligation of the IERCD;

(e) The IERCD's entry into this Cooperative Agreement and/or the performance of the IERCD's obligations hereunder does not constitute a violation of any state or federal statute or judicial decision to which the IERCD is subject;

(f) There are no pending lawsuits or other actions or proceedings which would prevent or impair the timely performance of the IERCD's obligations under this Cooperative Agreement;

(g) The IERCD has the legal right, power and authority to enter into this Cooperative Agreement and to consummate the transactions contemplated hereby, and the execution, delivery and performance of this Cooperative Agreement have been duly authorized and no other action by IERCD is requisite to the valid and binding execution, delivery and performance of this Cooperative Agreement, except as otherwise expressly set forth herein.

The Parties each acknowledge that the foregoing warranties and representations are a material part of this Cooperative Agreement.

3. IERCD's Obligations.

3.1 **Scope of Work.** Funds disbursed under this agreement shall be utilized to support implementation of the Sustainable Agricultural Lands Conservation Grant further described in **Exhibit A.**

3.2 **Work.** The IERCD shall complete, in collaboration with LAFCO, all Work as stated in Exhibit A, in compliance with all applicable laws and regulations of the United States, the State of California, LAFCO, and all other public and governmental

agencies having jurisdiction over any of the Work, including but not limited to all required permitting and other approvals procedures. IERCD shall comply with all terms and conditions of this Cooperative Agreement, including all incorporated documents.

3.3 Use of Financial Assistance. The IERCD covenants and agrees that it shall use any and all Financial Assistance, as defined herein, paid by LAFCO to the IERCD pursuant to this Cooperative Agreement solely for the reimbursement of its actual costs for the Work and for no other purpose.

3.4 Schedule of Performance. The IERCD shall diligently and in good faith pursue and perform its obligations with respect to the Work and shall complete the Work in accordance with the schedule set forth in Exhibit A. Upon LAFCO's request, the IERCD shall inform LAFCO via email or letter of the current status of progress on the Work.

3.5 Coordination. The IERCD shall work closely with LAFCO to carry out grant deliverables, including frequent meetings to meet grant deliverables and reporting and invoicing requirements.

3.6 Reporting Requirements. IERCD must submit a Final Report to LAFCO with its final Application for Reimbursement. LAFCO will complete the Final Report and send to DOC. The Final Report shall provide sufficient detail to demonstrate that IERCD and LAFCO fulfilled the terms of the Cooperative Agreement and the DOC Grant Agreement entered into between DOC and LAFCO, and should be paid for completing the project. If IERCD and LAFCO do not submit the Final Report with the last Application for Reimbursement, then the Application for Reimbursement will be considered incomplete and returned without reimbursement pending the completion of the Final Report.

3.7 Application for Reimbursement. IERCD shall submit to LAFCO an itemized Application for Reimbursement in a format acceptable to LAFCO indicating the amount of Work completed since commencement of the Work and since the last reimbursement. These applications shall be supported by receipts and other evidence of costs accrued and such other documentation as LAFCO may require. The IERCD shall certify that the Work for which reimbursement is requested has been done.

3.8 Accounting. IERCD shall maintain an accounting system that accurately reflects all fiscal transactions and accounting information. At all times, the IERCD accountant shall maintain the financial books and records of the IERCD to be established pursuant to this Cooperative Agreement and maintained by the IERCD separate and apart from other financial records and shall set forth all financial activity hereunder as a separate line item in the annual budget of the IERCD.

3.9 Records Retention and Inspection. IERCD shall establish an official file containing adequate documentation of all actions taken with respect to the Project. Copies of the Cooperative Agreement, changes, amendments, letters, email correspondence, financial records, required reports, maps, field notes and supporting documents, and all other records pertaining to the use of Financial Assistance disbursed to the IERCD

hereunder shall be retained by the IERCD and available to LAFCO and the Department of Conservation for examination and for purposes of performing an audit for a period of four (4) years following the final payment of funds or until completion of any action and resolution of all issues which may arise as a result of an audit, whichever is later. IERCD shall adequately protect all records, physical and electronic, from loss, damage, or destruction during the four (4) year retention period. Records shall be available to LAFCO and to appropriate county, state or federal agencies and officials for inspection with advance notice and during the regular business hours of the IERCD, excluding federal and state government holidays. In the event of litigation or an audit relating to this Cooperative Agreement or funds paid to the IERCD by LAFCO under this Cooperative Agreement, such records shall be retained by the IERCD until all such litigation or audit has been resolved.

3.10 Publicity. IERCD agrees that it will acknowledge the support of LAFCO and the Department of Conservation whenever activities or projects funded, in whole or in part, by this Cooperative Agreement are publicized in any news media, brochures, articles, seminars, websites, or other type of promotional material. In any public resulting from work performed under this Cooperative Agreement, IERCD shall include an acknowledgment substantially similar as follows: "The work upon which this publication is based was funded in whole or in part through an award funded by the California Department of Conservation".

(a) Media. IERCD is required to identify a point of contact for all press inquiries and communications needs related to the Project and provide the name, phone number, and email address of this individual to LAFCO. All press releases must be approved by LAFCO prior to distribution, and LAFCO must be alerted and invited to participate in all press conferences related to the Work.

(b) Social Media. IERCD is encouraged to use social media to inform and share with the public activities under this Cooperative Agreement. LAFCO and California Department of Conservation shall be tagged on all social media posts related to activities under this Cooperative Agreement.

4. LAFCO's Obligations.

4.1 Reimbursement. LAFCO agrees to pay to the IERCD a sum, not to exceed ONE HUNDRED THIRTY NINE THOUSAND SIX HUNDRED AND FIFTY DOLLARS (\$139,650), subject to the terms and conditions of this Cooperative Agreement, for the sole purpose of reimbursing IERCD's actual, reasonable costs for the Work ("Financial Assistance"). The Financial Assistance shall not be considered the IERCD's sole source of funding for the Work. Requests for reimbursement may be submitted either monthly or quarterly accompanied by a progress report. Reimbursements must be submitted with detailed tracking of staff hours, a mileage log, and a materials list accompanied by receipts for every purchase. Notwithstanding anything in this Cooperative Agreement, LAFCO's obligations to pay the Financial Assistance to the IERCD are expressly contingent upon LAFCO's receipt of a timely application for reimbursement on a form acceptable to LAFCO and all evidence of costs accrued and other documentation as

LAFCO may require. LAFCO will reimburse IERCD upon receipt of funds from the Department of Conservation.

4.2 Disbursement of Financial Assistance. LAFCO agrees to disburse the portion of the Financial Assistance attributable to a portion of the Work for which (1) an application for reimbursement has been submitted, and (2) IERCD has submitted paid invoices or receipts for the Work as provided in Section 3. LAFCO shall reimburse IERCD within thirty (30) days of receipt of Financial Assistance from DOC. The collective amount of reimbursements shall not exceed the total Financial Assistance award.

4.3 Monitoring and Evaluation. LAFCO will monitor and evaluate the IERCD in the performance of this Cooperative Agreement. Authorized representatives of LAFCO shall have the right of access to all activities and facilities operated by the IERCD under this Cooperative Agreement. Facilities include all files, records, and other documents related to the performance of this Cooperative Agreement. Activities include attendance at staff, board of directors, advisory committee and advisory board meetings, and observation of on-going program functions. The IERCD shall ensure the cooperation of its staff and board members in such efforts. LAFCO may conduct progress reviews. These reviews will focus on the extent to which planned Work has been implemented and measurable goals achieved, the effectiveness of the IERCD's management, and impact of the Work.

5. General Terms and Conditions

5.1 Approval. This Cooperative Agreement is of no force or effect until signed by both parties. IERCD may not commence performance until such approval has been obtained.

5.2 Amendment. The IERCD and LAFCO agree to consider reasonable requests for amendments to this Cooperative Agreement which may be made by any of the Parties hereto, including any reasonable requests made by a source of additional funding for the Work. Any amendments to the Cooperative Agreement must be in writing and signed by the appropriate authorities of both LAFCO and the IERCD. The Executive Officer is authorized on behalf of LAFCO to approve and execute minor amendments to this Cooperative Agreement with the concurrence of LAFCO General Counsel, including, but not limited to, the granting of extensions of time to the IERCD. No oral understanding or change not incorporated in this Cooperative Agreement is binding on any of the parties.

5.3 Prohibition Against Transfer or Assignment. The IERCD may not transfer, assign, convey, encumber, or hypothecate any of its rights or obligations under this Cooperative Agreement, without the express written consent of LAFCO, which may be given, withheld or conditioned in LAFCO's sole, absolute and subjective discretion. Without limiting the generality of the foregoing, the IERCD may not assign any right it may have pursuant to this Cooperative Agreement, including, without limitation, the right

to receive the Financial Assistance Payments, as security for IERCD's performance of any monetary or non-monetary obligation to any third party or otherwise.

5.4 Audit.

(a) Work under this Agreement is subject to audit by the State of California for up to four years following the termination of the Cooperative Agreement. IERCD agrees that LAFCO, Department of Conservation, Department of Finance, Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Cooperative Agreement. The audit may consist of examining and auditing pertinent books, documents, papers, and records including financial transactions and supporting documents, general accounting systems, internal controls, management practices, policies, and procedures pertaining to the performance of this Cooperative Agreement.

(b) At any time, LAFCO, The Department of Conservation, Department of Finance, Bureau of State Audits, or their designated representative may request to review IERCD's records to ensure proper grant management. IERCD shall be given advance notice when the Work under this Cooperative Agreement is selected for an audit or review by Department, Department of Finance, Bureau of State Audits, or their designated representative. IERCD agrees to allow the auditor(s) access to such records during normal business hours, excluding State of California holidays, and to allow interviews of any employees who might reasonably have information related to such records. Further, IERCD agrees to include a similar right of LAFCO and Department of Conservation audit records and interview staff in any subcontract related to performance of this Cooperative Agreement in accordance with Government Code section 8546.7. IERCD shall comply with the above and be aware of the penalties for violations of fraud and for obstruction of investigation as set forth in Public Contract Code section 10115.10.

(c) Audit Exceptions by State and Federal Agencies. IERCD agrees that in the event the Work performed hereunder is subject to audit exceptions, it shall be responsible for complying with such exceptions and reimbursing LAFCO the full amount of IERCD's liability resulting from such audit exceptions.

5.5 Indemnification. IERCD agrees to indemnify, defend, and hold LAFCO, its officers, employees and agents, harmless from and against any and all liability, loss, expense, attorneys' fees, or claims for injury or damages arising out of the performance of this Agreement and the Work, but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of IERCD, its officers, agents, or employees. This section shall survive the termination or expiration of this Cooperative Agreement.

5.6 Independent Contractor. Both Parties in the performance of this Cooperative Agreement will be acting in an independent capacity and not as agents, employees, partners, joint ventures, subcontractors, or associates of one another. The employees or agents of one Party shall not be deemed or construed to be the agents or employees of the other Party for any purpose whatsoever, including workers'

compensation liability. IERCD shall bear the sole responsibility and liability for: 1) all wages, salaries, and other amounts due such personnel in connection with their performance of this Cooperative Agreement; 2) all reports and obligations respecting such personnel including, but not limited to, social security taxes, income tax, withholding, unemployment insurance, and workers' compensation insurance; and 3) furnishing workers' compensation benefits to any person for injuries arising from or connected with services performed on behalf of the IERCD pursuant to this Cooperative Agreement.

(a) Subcontractors. LAFCO's contractual relationship is with the IERCD, and not any of its subcontractors. IERCD is entitled to make use of its own staff and subcontractors, and will comply with its own competitive bidding and sole sourcing requirements for subcontracts that raise out of or in connection with this Cooperative Agreement. IERCD shall manage, monitor, and accept responsibility for the performance of its own staff and subcontractors, and will conduct Project activities and services consistent with professional standards for the industry and type of work being performed under this Cooperative Agreement. Nothing contained in this Cooperative Agreement or otherwise, shall create any contractual relationship between LAFCO and any subcontractors, and no subcontract shall relieve IERCD of its responsibilities and obligations hereunder. IERCD agrees to be fully responsible to LAFCO for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by any of subcontractors as it is for the acts and omissions of persons directly employed by the IERCD. The IERCD's obligation to pay its subcontractors is an independent obligation from LAFCO's obligation to make payments to the IERCD. As a result, LAFCO shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.

5.7 Non Discrimination Clause. During the performance of this Cooperative Agreement, IERCD and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of race, color, ancestry, national origin, religion, creed, age (over 40), mental disability, physical disability, sex, gender (including pregnancy, childbirth, breastfeeding, or related medical conditions), sexual orientation, gender identity, gender expression, medical condition, genetic information, marital status, and military and veteran status. IERCD and subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. IERCD and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Cooperative Agreement by reference and made a part hereof as if set forth in full. IERCD and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Cooperative Agreement.

5.8 Prevailing Wages. IERCD is aware of the requirements of California Labor Code Sections 1720 *et seq.* and 1770 *et seq.* (collectively, “Prevailing Wage Laws”), which require the payment of prevailing wage rates and the performance of other requirements on certain “public works” and “maintenance” projects. If the Work qualifies as a “public works” or “maintenance” project, as defined by the Prevailing Wage Laws, IERCD agrees to fully comply with such Prevailing Wage Laws. IERCD shall defend, indemnify and hold LAFCO, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the IERCD and all of its contractors and subcontractors to comply with all applicable California Labor Code provisions, which include but are not limited to prevailing wages (Labor Code Sections 1771, 1774 and 1775), employment of apprentices (Labor Code Section 1777.5), certified payroll records (Labor Code Section 1776), hours of labor (Labor Code Sections 1813 and 1815) and debarment of contractors and subcontractors (Labor Code Section 1777.1).

5.9 Timeliness. Time of the essence in this Cooperative Agreement. LAFCO and the IERCD will work collaboratively to ensure this Cooperative Agreement is administered in a timely fashion.

5.10 Unenforceable Provisions. If any provision of this Cooperative Agreement is unenforceable or held to be unenforceable, then the parties agree that all other provisions of this Cooperative Agreement have force and effect and shall not be affected thereby.

5.11 Stop Work. If it is determined, at the sole discretion of LAFCO, that the IERCD is not meeting the terms and conditions of this Cooperative Agreement, IERCD shall cease all work under this Cooperative Agreement immediately upon receiving a written notice through certified mail from LAFCO to stop work. LAFCO has the sole discretion to determine that IERCD meets the terms and conditions after a stop work order, and to send through certified mail a written notice to IERCD to resume work under this Cooperative Agreement.

5.12 Termination

(a) Termination For Cause. In addition to all other rights and remedies granted to the Parties under this Cooperative Agreement or available to them in equity or at law, either Party may terminate this Cooperative Agreement and all of its obligations hereunder without cost or liability upon an *Event of Default* as provided below.

(i) Event of Default. Each of the following shall constitute an “Event of Default”:

(1) The failure of IERCD to pay or perform any monetary covenant or obligation hereunder or any of the documents executed in connection herewith, without curing such failure within sixty (60) calendar days after

receipt of written notice of such default from LAFCO (or from any party authorized by LAFCO to deliver such notice as identified by LAFCO in writing to IERCD).

(2) The failure of IERCD or subcontractor to perform any nonmonetary covenant or obligation hereunder or any of the documents executed in connection herewith, without curing such failure within sixty (60) calendar days after receipt of written notice of such default from the IERCD or LAFCO (or from any party authorized by LAFCO to deliver such notice as identified by LAFCO in writing) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a sixty (60)-day period, it shall be deemed cured if IERCD or subcontractor commences the cure within said sixty (60)-day period and diligently prosecutes such cure to completion thereafter.

(ii) Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in the following sentence. Voluntary cessation of the operation of the Work for a continuous period of more than thirty (30) calendar days or the involuntary cessation of the operation of the Work in accordance with the Cooperative Agreement for a continuous period of more than sixty (60) calendar days, unless such cessation is approved, in writing, by LAFCO.

(iii) Any failure or delay by a Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any rights or remedies associated with a default. Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties under this Agreement are cumulative and the exercise by either 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 or any other default by the other Party.

(b) Termination For Convenience. In addition to its rights based on Termination for Cause, either Party may terminate this Cooperative Agreement upon sixty (60) days' notice to the other Party that termination of this Cooperative Agreement is in its best interests. Notwithstanding the foregoing, upon receipt of notice that LAFCO intends to exercise its right to terminate this Cooperative Agreement for convenience, the IERCD shall be entitled to reimbursement of actual, reasonable costs relating to the Work that have been incurred by the IERCD as of the effective date of termination upon submission of all documentation required by LAFCO for such reimbursement. In the event IERCD notifies LAFCO that it intends to exercise its right to terminate this Cooperative Agreement, IERCD shall not thereafter be entitled to any additional reimbursement of costs relating to the Work, other than such amounts as have already been disbursed to the IERCD upon receipt by LAFCO of all required documentation. The IERCD's obligations to retain records and LAFCO's right to inspect such records shall survive termination for convenience by either Party.

(c) Termination at Completion. This Cooperative Agreement shall terminate upon completion of the project and payment of the last disbursement.

5.13 Notices. All notices or other communications required or permitted hereunder shall be in writing, and may be personally delivered or sent by United States registered or certified mail, postage prepaid, return receipt requested, addressed to Parties at the addresses provided below, subject to the right of either Party to designate a different address for itself by notice similarly given. Any notice so given by registered or certified United States mail shall be deemed to have been given on the second business day after the same is deposited in the United States mail. Any notice not so given by registered or certified mail shall be deemed given upon receipt of the same by the Party to whom the notice is given.

LAFCO: Local Agency Formation Commission for San Bernardino County
1170 W. Third Street, Unit 150
San Bernardino, CA 92415
Attn: Samuel Martinez, Executive Officer

IERCD: Inland Empire Resource Conservation District
25864-K Business Center Drive
Redlands, CA 92374
Attn: Mandy Parkes, District Manager

5.14 Personal Liability. No board member, official, contractor, consultant, attorney or employee of LAFCO shall be personally liable to the IERCD, any voluntary or involuntary successors or assignees, or any lender or other Party holding an interest in this Cooperative Agreement in the event of any default or breach by LAFCO, or for any amount which may become due to the IERCD or to its successors or assignees, or on any obligations arising under this Cooperative Agreement. No board member, official, contractor, consultant, attorney or employee of the IERCD shall be personally liable to LAFCO, any voluntary or involuntary successors or assignees, or any lender or other Party holding an interest in the Properties in the event of any default or breach by the IERCD, or for any amount which may become due to LAFCO or to its successors or assignees, or on any obligations arising under this Cooperative Agreement.

5.15 Dispute Resolution. In the event of a dispute, the IERCD shall first attempt to resolve the dispute with the Executive Officer. Both parties shall deal in good faith and attempt to resolve the dispute informally. If the IERCD contests a decision made by the Executive Officer, IERCD may submit a written "Notice of Dispute" on official letterhead, which shall include, (1) a complete description of the basis for the dispute; (2) legal authority and pertinent facts, supporting argument and documentation; and (3) action requested for resolution. Within 30 days after receipt of the "Notice of Dispute," the Executive Officer shall review the dispute and submit a written decision to the IERCD, which shall include; (1) the decision made; (2) an explanation for the decision; and (3) whether the decision shall be conclusive and binding or can be appealed and the steps to take to appeal the decision. IERCD shall continue to meet its

responsibilities and obligations under the terms of this Cooperative Agreement during a dispute.

5.16 Costs. In the event of the bringing of an action or suit by a Party hereto against another Party hereunder by reason of any breach of any of the covenants or agreements or any inaccuracies in any of the representations and warranties on the part of the other Party arising out of this Cooperative Agreement or any other dispute between the Parties concerning this Cooperative Agreement, then, in that event, the prevailing Party in such action or dispute, whether by final judgment or out of court settlement shall be entitled to have and recover of and from the other Party all costs and expenses of suit or claim, including actual attorneys' fees.

5.17 Jurisdiction. Any legal action or proceeding concerning this Cooperative Agreement shall be filed and prosecuted in the appropriate California state court in the County of San Bernardino, California. Each Party hereto irrevocably consents to the personal jurisdiction of the court. LAFCO and the IERCD each hereby expressly waive the benefit of any provision of federal or state law or judicial decision providing for the filing, removal, or change of venue to any other court or jurisdiction, including, without limitation, federal district court, due to any diversity of citizenship between LAFCO and the IERCD, due to the fact that either the City or the District is a party to such action or proceeding, or due to the fact that a federal question or federal right is involved or alleged. Without limiting the generality of the foregoing, the IERCD specifically waives any rights provided to it pursuant to California Code of Civil Procedure Section 394. The IERCD acknowledges that the provisions of this Section are material consideration to LAFCO for its entry into this Cooperative Agreement, in that the IERCD will avoid the potential cost, expense, and inconvenience of litigating in a distant forum.

5.18 Interpretation. LAFCO and the IERCD acknowledge that this Cooperative Agreement is the product of mutual arms-length negotiation and drafting and that each Party has been represented by legal counsel in the negotiation and drafting of this Cooperative Agreement. Accordingly, any rule of construction which provides that ambiguities in a document shall be construed against the drafter of that document shall have no application to the interpretation and enforcement of this Cooperative Agreement. In any action or proceeding to interpret or enforce this Cooperative Agreement, the finder of fact may refer to any extrinsic evidence not in direct conflict with any specific provision of this Cooperative Agreement to determine and give effect to the intention of the Parties.

5.19 Counterparts. This Cooperative Agreement may be executed in duplicate originals, each of which is deemed to be an original, but when taken together shall constitute but one and the same instrument. This Cooperative Agreement and its Exhibits represent the entire understanding of the Parties and supersedes all negotiations, letters of intent or previous agreements between the Parties with respect to all or any part of the subject matter hereof.

5.20 Waiver of Rights.

(a) IERCD waives any and all rights to any type of express or implied indemnity or right of contribution from LAFCO, its officers, agents, or employees for any liability arising from, growing out of, or in any way connected with this Cooperative Agreement.

(b) IERCD waives all claims and recourses against LAFCO, including the right to contribution for loss or damage to persons or property arising from, growing out of, or in any way connected with or incident to this Cooperative Agreement.

(c) LAFCO's failure to insist on any one occasion upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any rights or powers hereunder at any one time or more times be deemed a waiver or relinquishment of such other right or power at any other time or times.

5.21 No Third Party Beneficiaries. The performance of LAFCO's and the IERCD's respective obligations under this Cooperative Agreement are not intended to benefit any party other than LAFCO or the IERCD, except as expressly provided otherwise herein. No person or entity not a signatory to this Cooperative Agreement shall have any rights or causes of action against any Party to this Cooperative Agreement as a result of that Party's performance or non-performance under this Cooperative Agreement, except as expressly provided otherwise herein.

5.22 Drug-Free Workplace Certification. In signing this Cooperative Agreement, IERCD certifies that it will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

(a) Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

(b) Establish a Drug-Free Awareness Program to inform employees about: (1) the dangers of drug abuse in the workplace, (2) the organization's policy of maintaining a drug-free workplace, (3) any available counseling, rehabilitation, and employee assistance programs, (4) penalties that may be imposed upon employees for drug abuse violations.

(c) Every employee who works on this Cooperative Agreement will, (1) receive a copy of the company's drug-free workplace policy statement, (2) agree to abide by the terms of the company's statement as a condition of employment on this Cooperative Agreement.

(d) Failure to comply with these requirements may result in suspension of payments under this Cooperative Agreement or termination of this Cooperative Agreement or both, and IERCD may be ineligible for award of any future State of California agreements if Agency determines that any of the following has

occurred: IERCD has made false certification, or violated the certification by failing to carry out the requirements as noted above (Gov. Code §8350 et seq.).

5.23 Americans with Disabilities Act. IERCD assures LAFCO that it complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA (42 U.S.C. 12101 et seq.).

5.24 Air/Water Pollution Violation Certification. Under State of California laws, IERCD shall not be: (1) in violation of any order or resolution not subject to review promulgated by the California Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

5.25 Tax Effects. The IERCD acknowledges that the benefits to be received by IERCD hereunder may be taxable or have tax consequences pursuant to one or more provisions of the United States Internal Revenue Code or California Revenue and Taxation Code. The IERCD acknowledges that LAFCO has not made any representation to the IERCD concerning the effect (if any) of such consequences and the IERCD acknowledges that it has retained independent tax advice from advisors of its own choosing. The IERCD shall be responsible for all tax consequences resulting from IERCD's entry into this Cooperative Agreement or from any benefits which IERCD may receive pursuant to the provisions hereof.

5.26 Limitation of Liability. The IERCD agrees that in no event will LAFCO become liable to the IERCD under this Cooperative Agreement for any damages including but not limited to, special damages, loss of revenue, loss of profit, operating costs or business interruption losses, regardless of cause, including breach of contract, negligence, strict liability or otherwise. The limitations and exclusions of liability set forth in this Section shall apply regardless of fault, breach of contract, tort, strict liability or otherwise of LAFCO, its employees or sub-consultants.

5.27 Successors in Interest. All of the terms, covenants and conditions of this Cooperative Agreement shall be binding on and shall inure to the benefit of the IERCD and its permitted nominees, successors and assigns. Wherever the term "IERCD" is used herein, such term shall include any permitted nominee, assignee or successor of the IERCD. The qualifications and identity of the IERCD are of particular concern to LAFCO, and it is because of such qualifications and identity that LAFCO has entered into this Cooperative Agreement with the IERCD. No voluntary or involuntary successor-in-interest of the IERCD shall acquire any rights or powers under this Cooperative Agreement except as expressly set forth herein. The IERCD may not assign or transfer all or any part of its rights or obligations under this Cooperative Agreement without the prior written approval of LAFCO, which may be given or withheld in LAFCO's sole discretion.

5.28 Compliance with Laws. The IERCD hereby certifies that it has complied with and will continue to comply with all applicable federal, state, and local laws, ordinances, regulations, policies, guidelines, permits and requirements as they relate to acceptance and use of Financial Assistance for the Work. IERCD shall ensure that any applicable requirements of the California Environmental Quality Act are met in order to carry out the terms of this Cooperative Agreement.

5.29 Entire Agreement. This Cooperative Agreement constitutes the entire agreement between Parties. This Cooperative Agreement supersedes all prior negotiation, discussions and agreements between Parties concerning the subject matters covered herein. The Parties intend this Cooperative Agreement to be the final expression of their agreement with respect to the subjects covered herein and a complete and exclusive statement of such terms.

[Signatures on following pages]

SIGNATURE PAGE
to
COOPERATIVE AGREEMENT

LAFCO

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

By: _____
Samuel Martinez, Executive Officer

ATTEST:

IERCD

INLAND EMPIRE RESOURCE CONSERVATION DISTRICT

By: _____
James Earsom, Board President

ATTEST:

Board Secretary

**EXHIBIT “A”
to
COOPERATIVE AGREEMENT**

Description and Timeline of Work

[ATTACHED BEHIND THIS COVER PAGE]

DRAFT

Exhibit A

WORK PLAN

Task Number and Description	Partners	Timeline	Total Requested Grant Funds
Task 1: Mapping and identification of priority development areas and priority conservation lands to develop a connected corridor of preserved agricultural land in the San Bernardino Valley.			
Task 1 Key Performance Indicators: <ol style="list-style-type: none"> 1. Completed mapping product developed with input from stakeholders 2. Completion of Regional Priority Plan with target conservation areas/properties 3. Critical stakeholders group established as a part of ongoing work to develop plan, strategies and tools. 			
Sub Task -1 Meet with stakeholder group to discuss data sets that should be included in the agricultural mapping product and what the final mapping product should look like to be a beneficial tool for the region	Lead: LAFCO and IERCD Stakeholders: all interested stakeholders	4 Months	\$8,430
Sub Task - 2 Develop a mapping tool for stakeholder use that provides a snapshot of the agricultural lands and development areas in the region and allows municipalities and agricultural organizations to pull specific maps and data to help inform conservation decisions	Lead: LAFCO	10 Months	\$15,425
Sub Task - 3 Using the mapping product, develop a Regional Priority Plan that prioritizes agricultural conservation areas and development areas based on best land resources, best economic market potential, greatest conversion risk, and greatest interest from community in continuing to preserve agriculture	Lead: LAFCO and IERCD Stakeholders: County, Cities, Farm Bureau, Farmers, and other interested stakeholders	14 Months	\$12,150

Exhibit A

Sub Task - 4 Develop an urban agricultural stakeholder group to look at opportunities for urban community project development in areas with little to no remaining agricultural land. These projects may take the form of community gardens or urban farms on public lands that are otherwise not utilized by municipalities	Lead: IERCD and Ag Innovations Stakeholders: Huerta del Valle, UCANR, community organizations, cities interested in developing urban agriculture projects	First Meeting at 4 Months and continuing throughout grant term	\$28,165
Sub Task – 5 Conduct two workshops for regional farmers and provide targeted direct outreach to at least five landowners to raise awareness about conservation easement programs and opportunities including SALC and Williamson Act Contracts	Lead: IERCD and Farm Bureau Stakeholders: Area farmers, conservation organizations, other interested parties	16 Months	\$5,250
Task 2: Analysis of agricultural policies for city and county jurisdictions to determine if policies include mitigation requirements or otherwise address agricultural preservation			
Task 2 Key Performance Indicators: 1. Create report listing all existing agricultural policies for each municipality in the Valley 2. Review existing agricultural easements within each municipality to determine conservation status and current management 3. Develop a suite of policy options and planning tools suitable to local conditions.			
Sub Task – 6 Convene stakeholders and identify advisory group to review current agricultural policies for each jurisdiction within the Valley region. Determine which policies include mitigation requirements or otherwise address agricultural preservation	Lead: LAFCO and IERCD Stakeholders: County, cities interested in reviewing policies, Farm Bureau	9 Months	\$10,360
Sub Task – 7 Develop draft policies that can be adopted by interested municipalities that address agricultural preservation and options for mitigation, while also addressing housing needs and infill objectives.	Lead: LAFCO and Dodson Consulting Stakeholders: Advisory Group	12 Months	\$15,490

Exhibit A

Sub Task – 8 Perform outreach and present draft policies at SBCTA monthly planning meetings, SCAG led workshops, and other opportunities	Lead: LAFCO and Dodson Consulting Stakeholders: Advisory Group	14 Months	\$8,920
Sub Task – 9 Work directly with interested municipalities to revise or update agricultural policies	Lead: LAFCO and Dodson Consulting Stakeholders: Advisory Group	16 Months	\$6,540
Sub Task -10 Work with the County and or/or municipalities on evaluating/assessing agency lands currently held for ag preservation (as well as current management of said lands) and any additional farmlands that could potentially be set-aside for ag preservation.	Lead: LAFCO and IERCD Stakeholders: Advisory Group	18 Months	\$11,650
Task 3: Perform feasibility study and develop agricultural easement program, including developing guidelines, legal documents, program protocols, and fee structure to ensure a sustainable mitigation program			
Task 3 Key Performance Indicators: 1. Perform feasibility study and cost structure for a successful mitigation program 2. Develop suite of program documents for an implementation ready mitigation program 3. Develop outreach materials to advertise program			
Sub Task – 11 Perform cost analysis to determine feasibility and pricing for mitigation credits based on regional land prices and costs to acquire an easement including appraisal costs, surveys, legal time, staff time, and long term monitoring	Lead: Financial Consultant Stakeholders: Advisory Group	12 Months	\$41,860
Sub Task – 12 Develop Agricultural Easement Program documents. Specifically, develop program guidelines, priority program areas, standard easement language, and draft legal documents	Lead: IERCD Stakeholders: SCAG, RLC, LAFCO, interested municipalities	20 Months	\$34,410

Exhibit A

Sub Task – 13 Compare mitigation pricing in the Inland Empire to that of the Central Valley to ensure competitive program that enables local jurisdictions to mitigate locally for a similar cost	Lead: IERCD and Financial Consultant	20 Months	\$1,400
Sub Task – 14 Develop program marketing materials and informational packets – including financial benefits of preservation. Provide this information to the farming community by sending information packets on mitigation programs in the mail, as well as direct outreach to interested farmers in priority areas.	Lead: IERCD	22 Months	\$5,250
Task 4: Inform, educate, and gain interest among municipal organizations and agricultural organizations around agricultural conservation. Incorporate mitigation program into SCAG's SCS			
Task 4 Key Performance Indicators: 1. Creation of Regional Ag Advisory Committee			
Sub Task – 15 Develop a Regional Agricultural Advisory Committee that meets regularly (4-8 times a year) to ensure implementation of the mitigation program and discuss regional grant opportunities, new project development, and regional challenges and opportunities.	Lead: Ag Innovations Consulting Stakeholders: Cities, County, LAFCO, IERCD, all other regional partners interested in supporting this effort	First Meeting at 4 Months and continuing throughout grant term	\$27,985
Sub Task – 16 Incorporate local mitigation program in SCAG's SCS program. Provide SCAG program information to incentivize participating in this program as part of development decisions for the region	Lead: SCAG Stakeholders: LAFCO, IERCD	22 Months	\$3,560

Exhibit A

WORK PLAN NARRATIVE

Task 1: The first phase of the project will focus on gaining a better understanding of the status of the region's agricultural lands and developed areas and engaging local agencies, cities, agricultural organizations, and farmers in this process. The first step will be to develop a mapping product with various data layers that will be determined by a stakeholder group to better understand current distribution of agricultural lands and future preservation opportunities. This will include currently preserved agricultural lands, but also data sets related to development areas, water availability, population density, and more. Using this map product, we will develop a Regional Priority Plan that prioritizes where the region should work to preserve agriculture. This effort will involve key partners including the County, local municipalities, LAFCO, IERCD, Farm Bureau, and others to ensure a regionally accepted plan for where to prioritize agricultural preservation efforts.

Because much of the San Bernardino Valley is already developed, we also plan to create an urban agriculture stakeholder group that will be answering many of the same questions, but in the context of urban farming/gardening and infill development. This working group will engage for the entire length of the grant, and beyond, and is intended to bring in not only government organizations but also non-profit partners, and other community health organizations who are looking at agriculture as a benefit for regional health and open space opportunities

Lastly, using the regional framework developed for where to focus preservation efforts, we will be outreaching to those farmers with information on conservation programs, including the SALC Easement Program, as a first effort towards promoting permanent preservation of agricultural lands.

Task 2: One of the goals through this program is to better understand mitigation/permanent agricultural land conservation opportunities within the Valley region. To assess the demand for mitigation, this process will work with all cities in the Valley region to review their existing policies related to agriculture preservation. A report will be developed with all of these policies as a reference point moving forward. A group of stakeholders will then develop draft policies that cities may adopt containing provisions for long-term agricultural preservation, including an option for mitigation for conversion of prime agricultural lands. The stakeholder group will hold presentations at regional planning meetings (including San Bernardino County Transportation Agency's monthly planning meeting) as well as direct outreach to cities with significant agricultural land holdings to encourage adoption of stronger agricultural policies. The main goal of this task will be to develop the local support and policy framework necessary to adopt mitigation policies.

Exhibit A

Task 3: Following the analysis of current city policy, an economic consultant along with IERCD staff will perform a feasibility study for the development of a local mitigation program. As previously discussed, many of the mitigation opportunities in the Valley region are placed with mitigation programs in the Central Valley due in part to their not being current opportunities through a local program. The feasibility study will examine how this mitigation program would need to be structured in order to compete with other statewide mitigation options.

Following the analysis, IERCD staff will work to develop an agricultural mitigation program framework based off their existing conservation easement program. This scope of work would include development of program guidelines, program priority areas (based off Task 1 effort), pricing structure, legal documents, and marketing/outreach materials. Other land conservation organizations, including Rivers and Lands Conservancy, will be consulted on this process. Program development would occur through the SALC grant, however, program implementation would occur after the grant term.

Task 4: Lastly, the final task would ensure the development of a Regional Agriculture Advisory Group to see that this work continue to be emphasized in regional discussions around land use, future grant and program development, and local policy. We will also work with the Southern California Association of Governments (SCAG) to ensure the efforts through this SALC process are integrated into their regional planning efforts through both the Sustainable Communities Strategy (SCS) and Regional GreenPrint.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West Third Street, Unit 150, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 10, 2021 
FROM: SAMUEL MARTINEZ, Executive Officer
MICHAEL TUERPE, Senior Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #11: LAFCO SC#460 – City of San Bernardino Irrevocable Agreement to Annex No. 2020-362 for Sewer Service (APN 0262-042-22)

INITIATED BY:

City of San Bernardino, on behalf of the property owner/developer.

RECOMMENDATION:

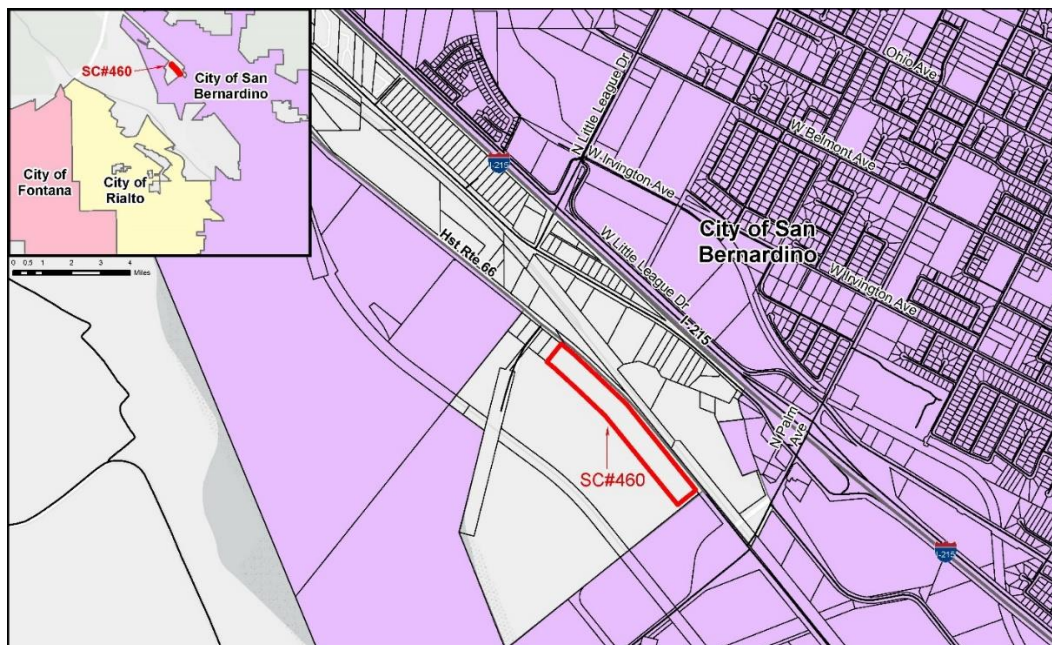
Staff recommends that the Commission approve LAFCO SC#460 by taking the following actions:

1. For environmental review as a responsible agency:
 - a. Certify that the Commission, its staff and its Environmental Consultant, have reviewed and considered the Notice of Exemption filed by the County of San Bernardino for Tentative Parcel Map 20176 to create three parcels on approximately 17.93 acres;
 - b. Determine that the Commission has considered the minimal environmental effects caused by approval of the service extension request and finds the information adequate for the Commission's use for its authorization of the out-of-agency service agreement;
 - c. Determine that the Commission does not intend to adopt alternatives or mitigation measures for this project and that no mitigation measures were required for this project; however, Conditions of Approval were adopted, which is the responsibility of the County to implement; and,
 - d. Direct the Executive Officer to file a Notice of Exemption as CEQA Responsible Agency within five (5) days of this action.

2. Approve LAFCO SC #460 authorizing the City of San Bernardino to extend sewer service outside its boundaries to Tentative Parcel Map 20176, a proposal to create three (3) parcels on Assessor Parcel Number 0262-042-22.
3. Adopt LAFCO Resolution #3327 setting forth the Commission's findings, determinations, and approval of the agreement for service outside the City of San Bernardino's boundaries.

BACKGROUND:

The City of San Bernardino (hereinafter the "City") has submitted a request for approval of an out-of-agency service agreement that outlines the terms by which it will extend sewer service. The agreement relates to Assessor Parcel Number (APN) 0262-042-22, generally located on the south side of Cajon Boulevard between Shelter Way and Palm Avenue, in the community of Verdemon, within the City of San Bernardino's northwestern sphere of influence. The map below, which is also included as part of Attachment #1, provides a location and vicinity map of the site. In addition, Attachment #2 outlines the City's application and contract, including a map that provides the location of the infrastructure to be extended.



The County Land Use Services Department has processed and approved Tentative Parcel Map (TPM) 20176, which is a proposal to create three parcels on the approximately 17.93-acre vacant parcel. The Conditions of Approval placed upon this project include the requirement to connect to the City of San Bernardino's water and sewer facilities (see page 10 of the Conditions of Approval). A copy of the County's Conditions of Approval is included as Attachment #3 to this report.

It should be noted that in May 2010, the Commission confirmed that the provision of water service by the City of San of San Bernardino within the area previously served by the San Bernardino Water Utilities corporation—which includes APN 0262-042-22—is exempt from

further LAFCO review through approval of LAFCO SC#352. Therefore, the provision of water service to the project is not being considered as part of this authorization request.

However, the extension of sewer service will require a contract with the City of San Bernardino for the provision of service outside its boundaries. Therefore, the City, on behalf of the property owner/developer, has requested that the Commission authorize the extension of sewer service to the project area pursuant to the provisions of Government Code Section 56133. Authorization of this agreement is required before the City can take the final actions to implement the terms of the agreement.

PLAN FOR SERVICE:

The City's application indicates that TPM 20176 will be served through construction of sewer laterals from the existing 15-inch sewer main in Cajon Boulevard to each of the three parcels within the proposed subdivision (see preliminary sewer service map included as part of Attachment #2).

Pursuant to the Commission's application requirements for service contracts, information has been provided regarding all financial obligations for the extension of service outside the agency's boundaries. The City identified the categories of fees to be charged this project for the extension of sewer service:

Description of Fees/Charges	Cost
Sewer Capacity Fee	\$3,500/EDU
Sewer Connection Fee - Commercial	\$330/3,000 sq.ft.
Sewer Later Inspection Fee	\$415/lateral

The total fees will not be available until the actual request for sewer service is made by the property owner/developer and final plans are submitted to the City for each of the parcel. In addition, the property owner/developer will be responsible for the entire cost of the construction and installation of the lateral extensions from the sewer main in Cajon Boulevard.

ENVIRONMENTAL DETERMINATION:

The County approved Tentative Parcel Map (TPM) 20176 to subdivide the 17.93-acre vacant parcel into three parcels. In approving TPM 20176, which does not include any specific development, the County adopted a Categorical Exemption (Class 15) based on compliance with Section 15315 of the State CEQA Guidelines.

The Commission's Environmental Consultant, Tom Dodson and Associates, has reviewed the County's Notice of Exemption filed for the proposed project. Mr. Dodson's analysis indicates that the County's Notice of Exemption (Categorical Exemption) is adequate for the Commission's use as a CEQA responsible agency.

Mr. Dodson has indicated that the necessary environmental actions to be taken by the Commission are as follows:

- a) Certify that the Commission, its staff and its Environmental Consultant, have independently reviewed and considered the County's Notice of Exemption filed for Tentative Parcel Map 20176 to create three parcels on approximately 17.93 gross acres;
- b) Determine that the Commission has considered the environmental effects caused by approval of the out-of-agency service agreement extension and finds the information adequate for the Commission's use for its authorization of said service agreement;
- c) Determine that the Commission does not intend to adopt alternatives or mitigation measures for this project. No mitigation measures were required for this project but Conditions of Approval were adopted, which are the responsibility of the County to implement; and,
- c) Direct the Executive Officer to file the Notice of Exemption with the County Clerk of the Board of Supervisors, as CEQA Responsible Agency.

CONCLUSION:

The future development of three parcels within the proposed TPM 20176 requires that it receive water and sewer service from the City of San Bernardino.

For water service, the Commission has previously confirmed that the provision of water service within the area—which includes the parcel, APN 0262-042-22—is exempt from LAFCO review. Therefore, there is no issue with the provision of water service by the City

However, for sewer service, the property owner/developer must show proof of its ability to connect to the City's sewer facilities in order for the project to proceed to record the Final Parcel Map—which, in this case, is the Commission's authorization for this agreement.

Staff has reviewed this request for authorization to provide sewer service from the City of San Bernardino outside its corporate boundaries against the criteria established by Commission policy and Government Code Section 56133. The area to be served is within the sphere of influence assigned the City of San Bernardino and is anticipated to become a part of the City sometime in the future. Staff supports the City's request for authorization to provide sewer service to the proposed TPM 20176 since its facilities are adjacent to the project area, and there is no other existing entity available to provide this service within the area.

DETERMINATIONS:

1. The project area, APN 0262-042-22, which encompasses TPM 20176—a proposal to create three (3) parcels—is within the sphere of influence assigned the City of San Bernardino and is anticipated to become a part of that City sometime in the future. For water service, the Commission has previously confirmed that the provision of water service within the area previously served by the San Bernardino Water Utilities Corporation—which includes the parcel associated with the proposed tentative parcel

map—is exempt from LAFCO review. Therefore, the application requests authorization to receive City of San Bernardino sewer service only.

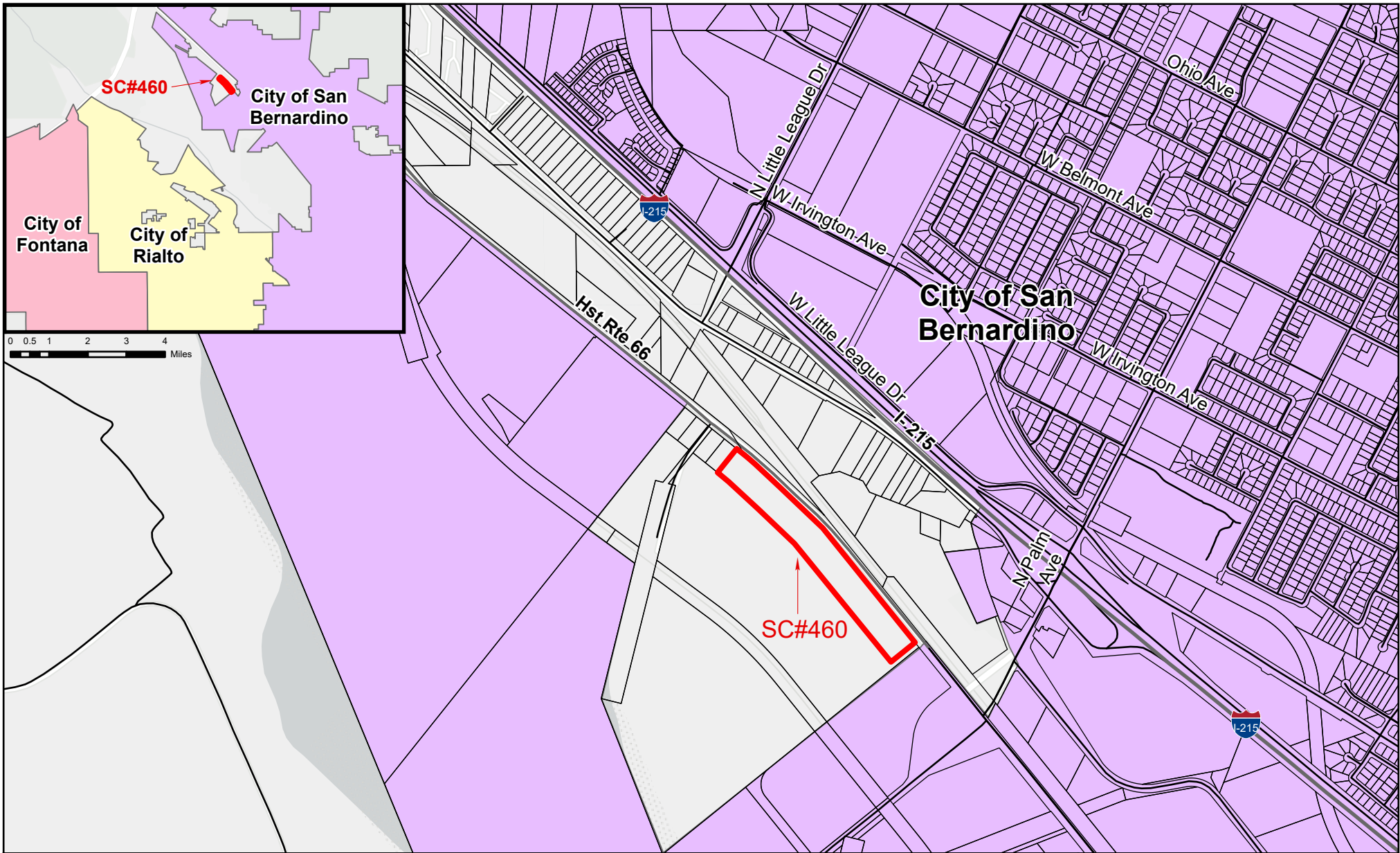
The requirement for water and sewer connections are conditions of approval as identified in the County's approval for TPM 20176. Therefore, approval of the City's request for authorization to provide sewer service is necessary in order to satisfy the conditions of approval for the project that would allow for the recordation of the Final Parcel Map.

2. The Irrevocable Agreement to Annex being considered is for the provision of sewer service by the City of San Bernardino to APN 0262-042-22, generally located on the south side of Cajon Boulevard between Shelter Way and Palm Avenue, within the City of San Bernardino's northwestern sphere of influence. This contract will remain in force in perpetuity or until such time as the area is annexed. Approval of this application will allow the property owner/developer and the City of San Bernardino to proceed in finalizing the contract for the extension of sewer service.
3. The categories of fees to be charged this project by the City of San Bernardino for the extension of sewer service are identified in the City's application materials. Payment of these fees are required prior to connection to the City's sewer facilities. In addition, the property owner/developer will be responsible for the entire costs of the construction and installation of the sewer lateral extensions.
4. Acting as the CEQA lead agency, the County filed a Notice of Exemption for the proposed project. In approving TPM 20176, which does not include any specific development, the County adopted a Categorical Exemption (Class 15) based on compliance with Section 15315 of the State CEQA Guidelines.

LAFCO's environmental consultant, Tom Dodson and Associates, has reviewed the County's Notice of Exemption (Categorical Exemption) filed for the proposed project and indicates that the County's Notice of Exemption is adequate for the Commission's use as a CEQA responsible agency. The Commission will not be adopting alternatives or mitigation measures. No mitigation measures were required for this project; however, Conditions of Approval were included that will be the responsibility of the County to implement. A copy of Mr. Dodson's response is included as Attachment #4 to this report.

Attachments:

1. [Vicinity Maps](#)
2. [City of San Bernardino's Application and Contract](#)
3. [County's Conditions of Approval for Tentative Parcel Map 20176](#)
4. [Response from Tom Dodson and Associates](#)
5. [Draft Resolution #3327](#)



LAFCO SC#460 - City of San Bernardino Out of Agency Sewer Service Connection Agreement (APN 0262-042-22)



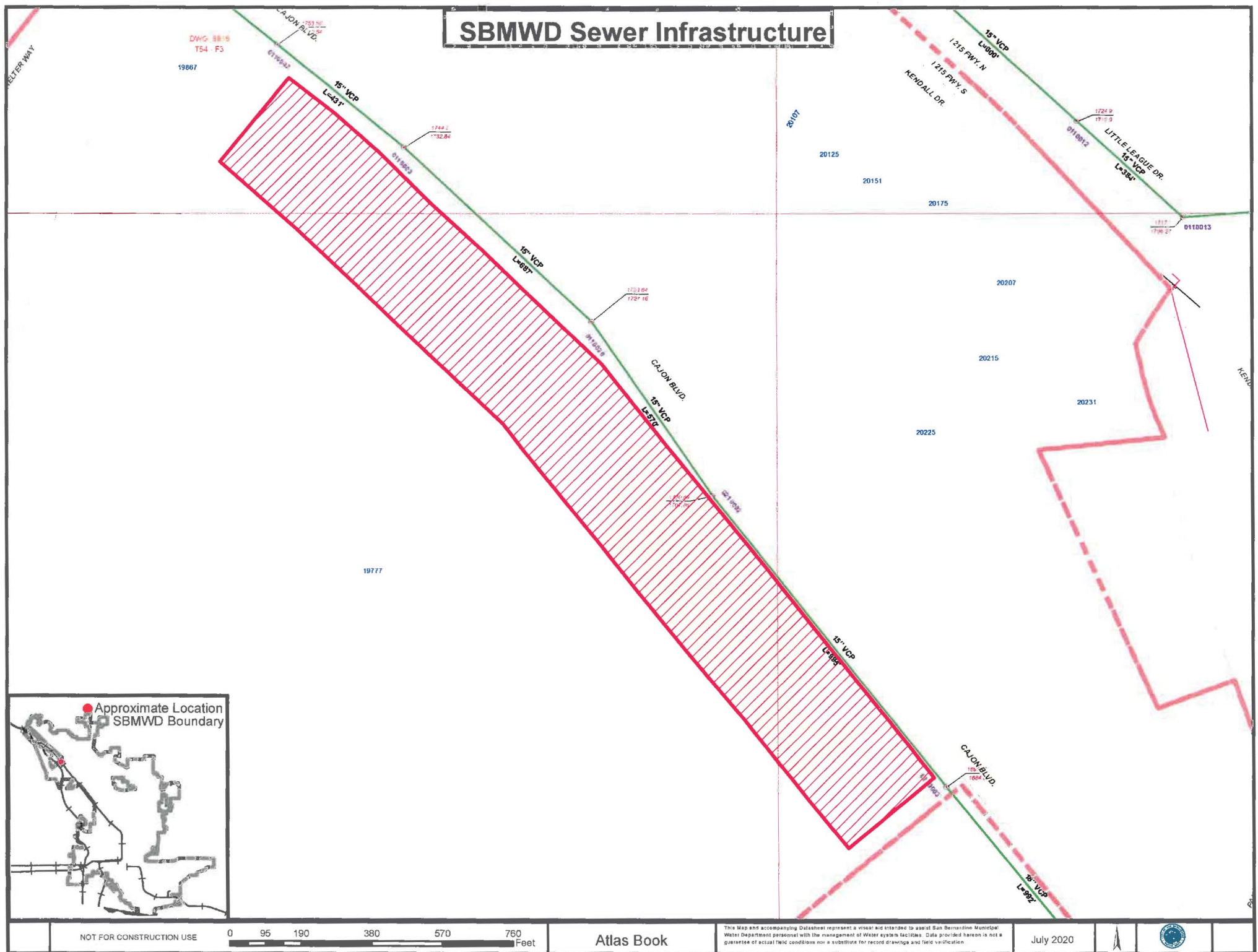
Disclaimer: The information shown is intended to be used for general display only and is not to be used as an official map.

0 0.07 0.15 0.3 0.45 0.6 Miles




- SC#460
- San Bernardino CO Parcels
- City of San Bernardino

SBMWD Sewer Infrastructure



NOT FOR CONSTRUCTION USE



0 95 190 380 570 760 Feet

Atlas Book

This Map and accompanying Datasheet represent a visual aid intended to assist San Bernardino Municipal Water Department personnel with the management of Water system facilities. Data provided herein is not a guarantee of actual field conditions nor a substitute for record drawings and field verification.

July 2020



SAN BERNARDINO LAFCO APPLICATION FOR EXTENSION OF SERVICE BY CONTRACT

(A certified copy of the City Council/District Board of Directors resolution or a letter from the City Manager/General Manager requesting approval for an out-of-agency service agreement must be submitted together with this application form.)

AGENCY TO EXTEND SERVICE:

AGENCY NAME: San Bernardino Municipal Water Department

CONTACT PERSON: Ted Brunson

ADDRESS: 397 Chandler Place
San Bernardino, CA 92408

PHONE: (909) 453-6165

EMAIL: Ted.Brunson@sbmwd.org

CONTRACTING PARTY:

NAME OF
PROPERTY OWNER: Food Express Inc.

CONTACT PERSON: Mr. Patrick Flanagan

MAILING ADDRESS: 1461 Ford Street, Suite 105
Redlands, CA 92373

PHONE: (909) 748-7777

EMAIL: patrickf@thatcherengineering.com

ADDRESS OF PROPERTY
PROPOSED FOR CONTRACT: Parcel Map No. 20176, located on Cajon
Boulevard, APN 0262-042-22

CONTRACT NUMBER/IDENTIFICATION: 2019-006

PARCEL NUMBER(S): 0262-042-22

ACREAGE: 17.33 acres

*Extension of Service by Contract
Application Form*

(FOR LAFCO USE ONLY)

The following questions are designed to obtain information related to the proposed agreement/contract to allow the Commission and staff to adequately assess the proposed service extension. You may include any additional information which you believe is pertinent. Please use additional sheets where necessary.

1. (a) List the type or types of service(s) to be provided by this agreement/contract.

Sanitary Sewer Collection (Sewer Connection)

Sanitary Sewage Treatment (Sewer Capacity)

- (b) Are any of the services identified above "new" services to be offered by the agency? ☒ YES ☐ NO. If yes, please provide explanation on how the agency is able to provide the service.

Existing sanitary sewer collection main exist within the street fronting the parcel.

Existing wastewater treatment plant has available treatment capacity.

Sewer lateral to connect to SBMWD sanitary sewer main to be installed by owner.

2. Is the property to be served within the agency's sphere of influence? ☒ YES ☐ NO

3. Please provide a description of the service agreement/contract.

SBMWD Sewer Connection Invoice to be paid prior to issuance of permits and sewer connection.

Sewer collection and treatment fees to be added to property's SBMWD account for monthly billing.

Irrevocable Annexation Agreement was established as a required condition of connection.

4. (a) Is annexation of the territory by your agency anticipated at some point in the future? ☒ YES ☐ NO. If yes, please provide a projected timeframe when it anticipates filing an application for annexation of territory that would include the area to be served. If no, please provide an explanation as to why a jurisdictional change is not possible at this time.

City of San Bernardino may elect to annex contiguous portions of San Bernardino County over time. No time frame exists. Goals of providing the City the future opportunity to annex will be furthered by Irrevocable Annexation Agreements for new sewer connections.

- (b) Is the property to be served contiguous to the agency's boundary?
☒ YES ☐ NO. If yes, please provide explanation on why annexation to the agency is not being contemplated.

Not applicable. Annexation is being considered.

5. Is the service agreement/contract outside the Agency's sphere of influence in response to a threat to the public health and safety of the existing residents as defined by Government Code Section 56133(c)?
☐ YES ☐ NO. If yes, please provide documentation regarding the circumstance (i.e. letter from Environmental Health Services or the Regional Water Quality Control Board).

Not applicable. Contract property is within Agency's sphere of influence.

6. (a) What is the existing use of the property?

The existing property is vacant.

- (b) Is a change in use proposed for the property? ☒ YES ☐ NO. If yes, please provide a description of the land use change.

The existing property is to be subdivided into 3 parcels (1-6.00 acres, 2-8.80 acres, & 3-2.53 acres) and developed for heavy industrial use.

7. If the service agreement/contract is for development purposes, please provide a complete description of the project to be served and its approval status.

The project will subdivide the currently vacant land into three parcels (1-6.00 acres, 2-8.80 acres, and 3-2.53 acres) and develop each parcel for heavy industrial use. The County of San Benardino has noted the subdivision and heavy industrial use in the Conditions of Approval dated April 4, 2020.

Extension of Service by Contract
Application Form

(FOR LAFCO USE ONLY)

8. Are there any land use entitlements/permits involved in the agreement/contract?
☒ YES ☐ NO. If yes, please provide documentation for this entitlement including the conditions of approval and environmental assessment that are being processed together with the project. Please check and attach copies of those documents that apply:

Tentative Tract Map / Parcel Map	<input checked="" type="checkbox"/>
Permit (Conditional Use Permit, General Plan Amendment, etc.)	<input type="checkbox"/>
Conditions of Approval	<input checked="" type="checkbox"/>
Negative Declaration (Initial Study)	<input type="checkbox"/>
Notice of Determination (NOD)/Notice of Exemption (NOE)	<input type="checkbox"/>
Department of Fish and Game (DFG) Receipt	<input type="checkbox"/>
Others (please identify below)	<input type="checkbox"/>

9. Has the agency proposing to extend service conducted any CEQA review for this contract? ☐ YES ☒ NO. If yes, please provide a copy of the agency's environmental assessment including a copy of the filed NOD/NOE and a copy of the DFG Receipt.

10. Plan for Service:

- (a) Please provide a detailed description of how services are to be extended to the property. The response should include, but not be limited to, a description of: 1) capacity of existing infrastructure, 2) type of infrastructure to be extended or added to serve the area, 3) location of existing infrastructure in relation to the area to be served, 4) distance of infrastructure to be extended to serve the area, and 5) other permits required to move forward with the service extension.

SBMWD 15" VCP sanitary sewer main exists in Cajon Boulevard fronting the contract

property. Capacity exists in the 15" sanitary sewer main, as well as at the San

Bernardino Water Reclamation Plant, to serve this contract property. Sewer lateral

to be installed by owner's licensed contractor (Class A or Classes C-34 & C-42), from

the proposed developments up to and including the connection to the existing sanitary

sewer main. All necessary permits for excavation and pavement replacement to be

obtained by owner's contractor with the respective governing agencies. SBMWD to

provide sewer connection permit and certificate of payment for sewer capacity fees.

SBMWD to perform the inspection of the sewer lateral during installation.

- | <i>Description of Fees/Charges</i> | <i>Cost</i> | <i>Total</i> |
|------------------------------------|--------------------|--------------|
| Sewer Capacity Fee | \$3,500.00/EDU | |
| Sewer Connection Fee - Commercial | \$330/3,000 sq.ft. | |
| Sewer Lateral Inspection Fee | \$415.00/Lateral | |
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| | | |
| Total Costs | | |

- sewer service. Fees were paid by project applicant on 7/02/20.

- (d) If financing is to occur, please provide any special financial arrangement between the agency and the property owner, including a discussion of any later repayment or reimbursement (If available, a copy of the agreement for repayment/reimbursement is to be provided).

Not applicable.

- 11 Does the City/District have any policies related to extending service(s) outside its boundary? ☒ YES ☐ NO. If yes, has a copy been provided to LAFCO? ☒ YES ☐ NO. If not, please include a copy of the policy or policies (i.e. resolution, municipal code section, etc.) as part of the application.

CERTIFICATION

As a part of this application, the City/Town of San Bernardino, or the SBMWD District/Agency 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.

The agency 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 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.

*Extension of Service by Contract
Application Form*

(FOR LAFCO USE ONLY)

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

SIGNED



NAME:

Ted Brunson

POSITION TITLE:

Development Services Manager

DATE:

12/7/2020

REQUIRED EXHIBITS TO THIS APPLICATION:

1. Copy of the agreement/contract.
2. Map(s) showing the property to be served, existing agency boundary, the location of the existing infrastructure, and the proposed location of the infrastructure to be extended.
3. Certified Plan for Service (if submitted as a separate document) including financing arrangements for service.

Please forward the completed form and related information to:

Local Agency Formation Commission for San Bernardino County

1170 West 3rd Street, Unit 150

San Bernardino, CA 92415-0490

PHONE: (909) 388-0480 • FAX: (909) 388-0481

Rev: krm – 8/19/2015

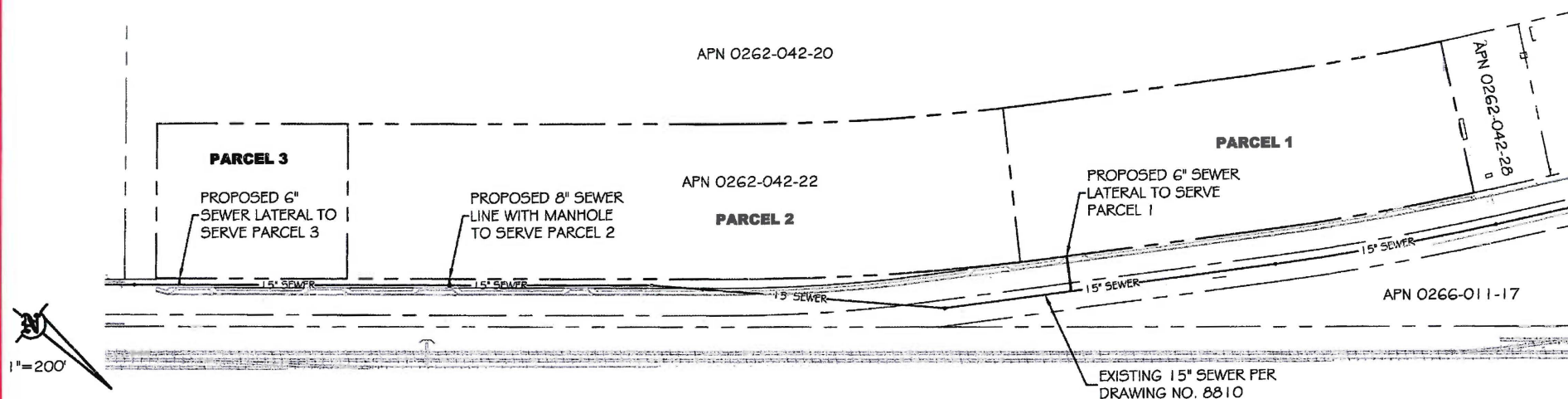
RFI 1205

PRELIMINARY SEWER SERVICES

PARCEL MAP 20176

APN 0262-042-22

COUNTY OF SAN BERNARDINO



Angelica Gonzales



Recorded in Official Records
County of San Bernardino

Bob Dutton
Assessor-Recorder-County Clerk

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

City of San Bernardino
290 N. D Street
San Bernardino, California 92401
Attn: City Manager

DOC # 2020-0425278

10/30/2020
09:19 AM
SAN
H6313

Titles: 1 Pages: 6

Fees: \$0.00
Taxes: \$0.00
CA SB2 Fee: \$0.00
Total: \$0.00

Exempt from Recording fee
pursuant to Gov't Code §§ 27383, 6103

(Space above for Recorder's use)

IRREVOCABLE AGREEMENT TO ANNEX
No. 2020-362

This Irrevocable Agreement to Annex ("Agreement"), is entered into this 23rd day of September, 2020; by and between FOOD EXPRESS, INC., a CALIFORNIA CORPORATION hereinafter referred to as "OWNER," and the CITY OF SAN BERNARDINO, a charter city and municipal corporation, hereafter referred to as "CITY." OWNER and CITY may be referred to in this Agreement individually as "Party" and collectively as "Parties".

RECITALS:

WHEREAS, OWNER holds title to the unincorporated parcel, located on the southwest side of Cajon Boulevard, just south of Shelter Way, California, and parcel is further described as follows: Portion of Rancho Muscupiabe, in the County of San Bernardino, as per plat recorded in Book 7 of Maps, Page 23, in the office of the County Recorder of San Bernardino County, State of California with Assessor's Parcel Number(s): 0262-042-22 ("Property");

WHEREAS, the Property is within the CITY's sphere of influence; and

WHEREAS, OWNER desires to obtain CITY's sewage system and wastewater treatment plant service for the Property; and

WHEREAS, CITY's sewage system and wastewater treatment plant service could be provided to the Property by connecting to the CITY's sewage system; and

WHEREAS, CITY's sewage system and wastewater treatment plant have sufficient capacity to convey and treat the sewage generated by the Property; and

WHEREAS, the covenants and conditions set forth herein shall create an equitable servitude upon the parcel, and shall be fully binding upon OWNER's heirs, successors and assigns.

NOW, THEREFORE, the Parties hereto agree as follows:

SECTION I

OWNER AGREES:

- a. To consent to the annexation of the Property to the CITY. OWNER agrees to covenant for itself, its agents, employees, contractors, heirs, successors and assigns ("Successors") not in any way object to, protest, delay, frustrate or otherwise impede any annexation proceedings concerning the annexation of the Property to the CITY. OWNER and its Successors shall cooperate in every reasonable way with the requests of the CITY, the San Bernardino Local Agency Formation Commission ("LAFCO"), or any other public agency in any proceedings to annex the Property to the CITY. The OWNER's and its Successor's cooperation shall include, but not be limited to, the filing of all necessary applications, petitions, plans, drawings, and any other documentation or information required by the CITY, LAFCO, or any other public agency.
- b. To pay such annexation fees and costs and other municipal charges as would ordinarily be charged in the annexation of property to the CITY. Said fees shall be payable when the same becomes due and payable.
- c. To pay all fees and charges and make all deposits required by the CITY to connect to and use the CITY's sewage system and wastewater treatment plant service system, and further agrees to be bound by all CITY ordinances, rules and regulations respecting the sewage system.
- d. To acknowledge that execution of this Agreement to annex is on behalf of all future heirs, successors and assigns; and that said Agreement shall be irrevocable without written consent of CITY.
- e. To comply with the San Bernardino Municipal Code and any rules and regulations promulgated by the Water Board of the San Bernardino Municipal Water Department relating to CITY's sewage system and wastewater treatment plant service system.
- f. To make application to LAFCO, and allow CITY to make application on behalf of the OWNER and pay all application fees, for approval to connect to CITY's sewage system, pursuant to Section 56133 of the Government Code.
- g. To execute a standard form agreement with CITY stipulating the terms and conditions under which the connection to the CITY's sewage system and wastewater treatment plant service system shall be made and maintained.
- h. OWNER acknowledges and agrees that if CITY determines that any attempted annexation fails or is unreasonably delayed because the OWNER or Successor failed to exercise good faith and best efforts to cause or assist in permitting the annexation to occur, any connection to CITY's sewage system and wastewater treatment plant service system permitted or authorized by this agreement may

be disconnected at the sole option of CITY and upon reasonable notice to the OWNER to provide for alternative service.

- i. OWNER agrees to maintain the Property in good condition and in compliance with reasonable residential standards. Reasonable standards are defined as the level of maintenance service necessary to keep the appearance and operation of the Property free from visible defects, deterioration, dirt and debris.
- j. OWNER shall indemnify, defend, and hold the CITY and its officials and staff harmless from any and all liability, claims, costs (including reasonable attorneys' fees), damages, expenses and causes of action resulting from any construction performed under or otherwise related to performance of this Agreement.

SECTION II **CITY AGREES:**

- a. To allow OWNER's parcel, described hereinbefore, to connect to CITY's sewage system and wastewater treatment plant service system, subject to payment of all applicable fees and permits.

SECTION III **BE IT MUTUALLY AGREED, AS FOLLOWS:**

- a. City Clerk for CITY shall record this Agreement with the County Recorder.
- b. The benefit to the subject parcel will inure to the benefit of subsequent owners, their heirs, successors, and assigns, and the agreements, conditions, and covenants contained herein shall be binding upon them and upon the land.
- c. The approval granted to connect said parcel to CITY's sewage system and wastewater treatment plant service system is contingent upon OWNER securing approval from LAFCO.
- d. This Agreement may be executed in counterparts.
- e. CITY and OWNER acknowledge that this Agreement is the product of mutual arms-length negotiation and drafting. Accordingly, the rule of construction which provides the ambiguities in a document shall be construed against the drafter of that document shall have no application to the interpretation and enforcement of this Agreement. In any action or proceeding to interpret or enforce this Agreement, the finder of fact may refer to any extrinsic evidence not in direct conflict with any specific provision of this Agreement to determine and give effect to the intention of the parties.
- f. This Agreement may only be amended by the written consent of all of the Parties at the time of such amendment. If either Party commences an action against the other Party arising out of or in connection with this Agreement, the

prevailing party shall be entitled to have and recover from the losing Party reasonable attorneys' fees and costs of suit, and, if CITY is awarded such attorneys' fees and costs, such award shall constitute a lien upon the Property.

- g. Failure to insist on any one occasion upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any rights or powers hereunder at any one time or more times be deemed a waiver or relinquishment of such other right or power at any other time or times.
- h. This Agreement has been executed in and shall be governed by the laws of the State of California. Venue shall be in the County of San Bernardino.

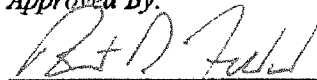
SIGNATURE PAGE TO IRREVOCABLE AGREEMENT TO ANNEX

IN WITNESS WHEREOF, the Parties hereto have caused this agreement to be entered into as of the Effective Date set forth above.

CITY OF SAN BERNARDINO

OWNER

Approved By:



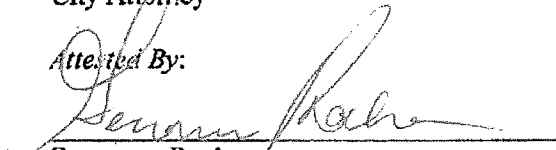
Robert Field
City Manager

PP.

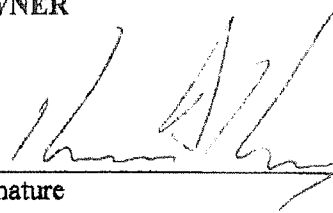


Sonia Carvalho
City Attorney

Attested By:



Genoveva Rocha
City Clerk



Signature

Kevin D Keeney, President | CEO
Name

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
COUNTY OF ~~SAN BERNARDINO~~)
 LOS ANGELES

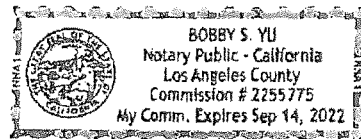
On SEPTEMBER 23, 2026 before me, BOB S. YL, Notary Public, personally appeared KEVIN D. KEENEY, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

(Seal)





Land Use Services Department Planning

Terri Rahhal
Director

May 4, 2020

Food Express, Inc., a California Corporation
521 N. First Ave.
Arcadia, CA 91006
kkeeney@foodexpo.com

Thatcher Engineering & Assoc., Inc
Vicky Valenzuela
1461 Ford Street, Suite 105
Redlands, CA 92373
vickyv@thatcherengineering.com

RE: TENTATIVE PARCEL MAP (TPM 20176) TO SUBDIVIDE ONE (1) 17.93- ACRE PARCEL INTO THREE (3) PARCELS LOCATED AT 19640 CAJON BLVD. IN AN UNINCORPORATED PORTION OF SAN BERNARDINO COUNTY WITHIN THE CITY OF SAN BERNARDINO SPHERE OF INFLUENCE. THE DIVISION WILL CREATE THREE (3) PARCELS AS DESCRIBED; PARCEL 1 AT 6.00-ACRES, PARCEL 2 AT 8.80-ACRES, AND PARCEL 3 AT 2.53 -ACRES ALL CURRENTLY VACANT LAND; PROJECT NO.: PROJ-2019-00080; APN: 0262-042-22.

Dear Applicant:

Tentative Parcel Map 20176, a subdivision of 17.93 gross acres into three parcels, located at 19640 Cajon Blvd; within Glen Helen Specific Plan, Heavy Industrial Zone, is approved pursuant to Chapter 87.02.060 of the San Bernardino County Development Code (SBCC), the State Subdivision Map Act (Government Code Section 66410 et. seq.) and the conditions of approval herewith.

This decision becomes effective on May 12, 2020, unless an appeal is filed. Any person may file an appeal to the Planning Commission prior to the effective date. The appeal, accompanied by the \$1,712 appeal fee, must be made in writing on forms available from the Public Information Counter or on the San Bernardino County Land Use Services webpage (<http://www.sbcounty.gov/uploads/LUS/Planning/Applications/WaiverAppealForm.pdf>).

In accordance with SBCC §87.02.120, all conditions of approval specified on the enclosed pages shall be completed and the map deemed complete by the County Surveyor for recording within thirty-six (36) months of the effective date or the approval shall expire. An extension of time in compliance with SBCC §87.02.130 may be granted upon filing an Extension of Time Application and the necessary fee to this office prior to the expiration date.

If you have any questions regarding this approval, you can reach me directly at (909) 387-8311 or via e-mail at Jessie.Bruckhart@lus.sbcounty.gov.

Respectfully,

Jessie Bruckhart, Planner I
JB/drpl/b

Enclosed: Findings
Conditions of Approval
Stamped Parcel Map

BOARD OF SUPERVISORS

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MANDATORY FINDINGS:

The findings, in accordance with Chapter 87.02.060 of the San Bernardino County Development Code, and the State Subdivision Map Act (Government Code Section 66410 et. seq.), to approve Proj-2019-00080/TPM 20176, are as follows:

1. The proposed map, subdivision design and improvements are consistent with the General Plan, any applicable community plan, and any applicable specific plan. The proposed subdivision is consistent with the Glen Helen Specific Plan Development Standards for the Heavy Industrial, (HI) Land Use Zoning District, in that the minimum parcel area, parcel width, parcel depth and parcel ratio are met for each proposed parcel. The proposed subdivision is consistent with the Specific Plan's Heavy Industrial (HI) minimum lot size requirements of 2 acres minimum. The three plots on the property are adequately placed and meet the setbacks and lot coverage on each proposed parcel.

Goal LU 2. Residential land uses will be provided in a range of styles, densities and affordability and in a variety of areas to live, ranging from traditional urban neighborhoods to more "rural" neighborhoods.

2. The site is physically suitable for the type and proposed density of development. The proposed Tentative Map is adequately sized for the proposed occupied lots. The project site is consistent with the density requirements of the Heavy Industrial (2-acre Minimum), Land Use Zoning District and all other applicable County Development Standards and Ordinances in effect at the time of project acceptance. The density of the Heavy Industrial zone has been found to be an appropriate density for this location.
3. The design of the subdivision and the proposed improvements are not likely to cause substantial environmental damage or substantially and avoidably injure fish or wildlife or their habitat. No development is proposed at this time. In accordance with the California Environmental Quality Act, the project has been found to be exempt from CEQA.
4. The design of the subdivision or type of improvements is not likely to cause serious public health or safety problems. The design of the subdivision follows a logical and orderly progression of development. The proposed subdivision has been reviewed by all agencies with jurisdiction over the project and has been found to not cause serious public health or safety problems, either through design, or through the adoption of conditions of approval.
5. The design of the subdivision or the type of improvements will not conflict with easements acquired by the public at large for access through or use of, property within the proposed subdivision. The approval of the Tentative Parcel Map will require all existing easements to remain in place and unobstructed and no improvements are required that would conflict with any easements of record.
6. The discharge of sewage from the proposed subdivision into the community sewer system will not result in violation of existing requirements prescribed by the California Regional Water Quality Control Board. No development is proposed with this subdivision.
7. The design of the subdivision provides, to the extent feasible, passive or natural heating and cooling opportunities. The design of the subdivision allows future development to take advantage of passive or natural heating and cooling opportunities that exist on the project site.

Food Express

PROJ-2019-00080/TPM 20176

Staff Action: April 30, 2020

Effective Date: May 12, 2020

Expiration Date: May 12, 2023

8. The proposed subdivision, its design, density and type of development and improvements conforms to the regulations of this Development Code and the regulations of any public agency having jurisdiction by law. The proposed subdivision design meets the minimum lot size, depth, width, and gross acreage requirements of the Heavy Industrial Land Use Zoning District. Agencies having jurisdiction by law have reviewed the proposed subdivision and have provided conditions of approval to ensure regulations of the Development Code and any applicable federal, state, and local laws are met.

ENVIRONMENTAL FINDINGS:

The environmental findings, in accordance with Chapter 85.03.040 of the San Bernardino County Development Code, are as follows:

1. Pursuant to provisions of the California Environmental Quality Act (CEQA) and the San Bernardino County Environmental Review guidelines, the above referenced project has been determined to be Categorically Exempt as a Class 15 exemption pursuant to §15315 of the 2020 CEQA Guidelines. A Notice of Exemption (NOE) will be filed as part with the San Bernardino County Clerk's office.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

Record Type: Project Application

Primary APN: 0262042220000

Record Status: In Review

Application Name: TENTATIVE PARCEL MAP

Description:

Tentative Parcel Map (TPM 20176) to subdivide one (1) 17.93- acre parcel into three (3) parcels located at 19640 Cajon Blvd. in an unincorporated portion of San Bernardino County within the City of San Bernardino Sphere of Influence. The division will create Three (3) parcels as described; Parcel 1 at 6.00- acres, Parcel 2 at 8.80-acres, and Parcel 3 at 2.53 -acres all currently vacant land.

This document does not signify project approval.

If the project has been approved, then an effective date and an expiration date for these conditions can be found below. This content reflects County records as at the System Date and time below.

The following conditions of approval have been imposed for the project identified below. The applicant/developer shall complete all conditions of approval stipulated in the approval letter.

Conditions of Approval are organized by project phase, then by status, and finally by department imposing the condition.

On-going conditions must be complied with at all times. For assistance interpreting the content of this document, please contact the Land Use Services Department Planning Division.

Contact information is provided at the end of this document for follow-up on individual conditions.

Informational

County Fire - Community Safety

- ☐ No Fire Conditions: Fire staff does not have fire conditions, concerns or recommendations for this proposed project.

Land Use Services - Land Development

- ☐ County Agency Condition: Additional Drainage Requirements. In addition to drainage requirements stated herein, other "on-site" and/or "off-site" improvements may be required which cannot be determined from tentative plans at this time and would have to be reviewed after more complete improvement plans and profiles have been submitted to this office.
- ☐ County Agency Condition: Erosion Control Installation. Erosion control devices must be installed and maintained at all perimeter openings and slopes throughout the construction of the project. No sediment is to leave the job site.
- ☐ County Agency Condition: Natural Drainage. The natural drainage courses traversing the site shall not be occupied or obstructed.
- ☐ County Agency Condition: Tributary Drainage. Adequate provisions should be made to intercept and conduct the tributary off site - on site drainage flows around and through the site in a manner, which will not adversely affect adjacent or downstream properties at the time the site is developed.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

On-going

Public Health- Environmental Health Services

- **Refuse Storage and Disposal:** All refuse generated at the premises shall at all times be stored in approved containers and shall be placed in a manner so that environmental public health nuisances are minimized. All refuse not containing garbage shall be removed from the premises at least 1 time per week, or as often as necessary to minimize public health nuisances. Refuse containing garbage shall be removed from the premises at least 2 times per week, or as often if necessary to minimize public health nuisances, by a permitted hauler to an approved solid waste facility in conformance with San Bernardino County Code Chapter 8, Section 33.0830 et. seq. For information, please call EHS/LEA at: 1-800-442-2283.
- **Noise Levels:** Noise level shall be maintained at or below County Standards, Development Code Section 83.01.080. For information, please call EHS at 1-800-442-2283.
- **Septic System Maintenance:** The septic system shall be maintained so as not to create a public nuisance and shall be serviced by a EHS permitted pumper. For information, please call EHS/Wastewater Section at: 1-800-442-2283.

Land Use Services - Planning

- **Development Impact Fees:** Additional fees may be required prior to issuance of development permits. Fees shall be paid as specified in adopted fee ordinances
- **Revisions:** Any proposed change to the approved Tentative Parcel Map and/or conditions of approval shall require that an additional land use application (e.g. Revision to an Approved Action) be submitted to County Land Use Services for review and approval.
- **Condition Compliance:** Condition Compliance confirmation for purposes of Parcel Map recordation will be coordinated by the County Surveyor.
- **County Agency Condition:** County Geologist: Tentative Parcel Map 20176 is located in a zone mapped as high liquefaction susceptibility as shown on the San Bernardino County Geologic Hazard Overlay Map, San Bernardino North, #FH22C. Per the San Bernardino County Development Code, Chapter 82.15.030, in areas where liquefaction is a concern, a geologic report, prepared by a California Registered Professional Geologist shall be prepared to evaluate the potential for liquefaction based upon anticipated ground shaking, historic groundwater levels and character of the alluvial materials. If the investigation determines that a potential for liquefaction exists, a geotechnical investigation shall be required. These reports shall be submitted, along with appropriate fees, to the County Geologist for review and approval for any proposed structures on the parcel map.
- **Project Approval Description (CUP/MUP):** Tentative Parcel Map (TPM 20176) to subdivide one (1) 17.93- acre parcel into three (3) parcels located at 19640 Cajon Blvd. in an unincorporated portion of San Bernardino County within the City of San Bernardino Sphere of Influence. The division will create Three (3) parcels as described; Parcel 1 at 6.00-acres, Parcel 2 at 8.80-acres, and Parcel 3 at 2.53 - acres all currently vacant land.
- **Additional Permits:** The developer shall ascertain compliance with all laws, ordinances, regulations and any other requirements of Federal, State, County and Local agencies that may apply for the development and operation of the approved land use. These may include but are not limited to: a. FEDERAL: None Identified b. STATE: Regional Water Quality Control Board and Air Quality Management District. c. COUNTY: Land Use Services - Building and Safety/ Code Enforcement, Public Health- Environmental Health Services, Public Works, County Fire, d. LOCAL:



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

- **Project Account:** The Job Costing System (JCS) account number is Project No.PROJ-2019-00080. This is an actual cost project with a deposit account to which hourly charges are assessed by various county agency staff (e.g. Land Use Services, Public Works and County Counsel). Upon notice, the developer shall deposit additional funds to maintain or return the account to a positive balance. The developer is responsible for all expenses charged to this account. Processing of the project shall cease, if it is determined that the account has a negative balance and that an additional deposit has not been made in a timely manner. A minimum balance of \$500.00 shall be in the project account at the time of project approval and the initiation of the Condition Compliance Review. Sufficient funds shall remain in the account to cover all estimated charges that may be made during each compliance review. All fees required for processing shall be paid in full prior to recordation.
- **Expiration:** This Conditional Approval of the Tentative Parcel Map shall become null and void unless all conditions have been completed and the Tentative Map has been deemed complete by the County Surveyor for purposes of recordation before the expiration date.
- **Extension of Time:** Where circumstances cause delays, which do not permit compliance with the required recordation time limit, the developer may submit for review and approval an application requesting an extension of time. County Land Use Services may grant such requests for extensions of time in compliance with the State Map Act Section 66452.6. An Extension of Time may be granted upon a successful review of an Extension of Time application, which includes a justification of the delay in recordation, a plan of action for completion and submittal of the appropriate fee, not less than 30 days prior to the expiration date. The granting of an extension request is a discretionary action that may be subject to additional or revised conditions of approval.

Public Works - Solid Waste Management

- **County Agency Condition:** Franchise Hauler Service Area – This project falls within a County Franchise Area. If subscribing for the collection and removal of construction and demolition waste from the project site, all developers, contractors, and subcontractors shall be required to receive services through the grantee holding a franchise agreement in the corresponding County Franchise Area (Burrtec Waste Industries - Jack's Disposal).
- **County Agency Condition:** Mandatory Commercial Organics Recycling – As of January 1, 2019, AB 1826 (Enacted October 2014) requires businesses that generate four (4) cubic yards of solid waste per week to recycle their organic waste. A business generating organic waste shall arrange for the recycling services in a manner that is consistent with state and local laws and requirements, including a local ordinance or local jurisdiction's franchise agreement, applicable to the collection, handling, or recycling of solid and organic waste or arrange for separate organic waste collection and recycling services, until the local ordinance or local jurisdiction's franchise agreement includes organic waste recycling services. A business that is a property owner may require a lessee or tenant of that property to source separate their organic waste to aid in compliance. Additionally, all businesses that contract for gardening or landscaping services must stipulate that the contractor recycle the resulting gardening or landscaping waste. Residential multifamily dwellings of five (5) or more units are required to recycle organics; however, they are not required to arrange for recycling services specifically for food waste. Applicant will be required to report to the County on efforts to recycle organics materials once operational.
- **County Agency Condition:** Mandatory Commercial Recycling – Beginning July 1, 2012 all businesses defined to include a commercial or public entity that generates 4 or more cubic yards of commercial waste a week or is a multi-family residential dwelling of 5 units or more are required to arrange for recycling services. The County is required to monitor commercial recycling and will require businesses to provide recycling information. This requirement is to assist the County in compliance with AB 341.
- **County Agency Condition:** Recycling Storage Capacity – The developer shall provide adequate space and storage bins for both refuse and recycling materials. This requirement is to assist the County in compliance with the recycling requirements of Assembly Bill (AB) 2176.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

Prior to Recordation

Outstanding

Land Use Services - Building and Safety

- Composite Development Plan (CDP) Note Requirements: The following Composite Development Plan (CDP) Requirements shall be placed on the CDP submitted as a requirement for Recordation of the final map. Wall Plans: Submit plans and obtain separate permits for any required site walls, retaining walls, or trash enclosures. Geology Report: A geology report shall be submitted to the Building and Safety Division for review and approval by the County Geologist and fees paid for the review prior to issuance of grading and/or building permits. Geotechnical (Soil) Report: A geotechnical (soil) report shall be submitted to the Building and Safety Division for review and approval prior to issuance of grading and/or building permits. Construction Plans: Any building, sign, or structure to be constructed or located on site, will require professionally prepared plans based on the most current County and California Building Codes, submitted for review and approval by the Building and Safety Division. Temporary Use Permit: A Temporary Use Permit (T.U.P.) for the office trailer will be required or it must be placed on a permanent foundation per State H.C.D. guidelines. A T.U.P. is only valid for a maximum of five (5) years.
- Geology Report Required: A geology report shall be submitted to the Building and Safety Division for review and approval by the County Geologist prior to recordation of the parcel map.
- Geotechnical (Soil) Report Required: When earthwork quantities exceed 5,000 cubic yards, a geotechnical (soil) report shall be submitted to the Building and Safety Division for review and approval prior to recordation of the parcel map.

Land Use Services - Land Development

- County Agency Condition: CDP/LDD - Roads. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department / Land Development Division – Roads (909) 387-8311" "Road Improvements. All required on-site and off-site improvements shall be completed by the applicant, inspected and approved by County Public Works. Completion of road and drainage improvements does not imply acceptance for maintenance by the County." (Roads 4 of 6)
- County Agency Condition: CDP/LDD - Roads. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department / Land Development Division – Roads (909) 387-8311" "Structural Section Testing. Prior to occupancy, a thorough evaluation of the structural road section, to include parkway improvements, from a qualified materials engineer, shall be submitted to the County Public Works." (Roads 5 of 6)
- County Agency Condition: CDP/LDD - Roads. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department / Land Development Division – Roads (909) 387-8311" "Regional Transportation Fee. This project falls within the Regional Transportation Facilities Mitigation Plan for the San Bernardino Subarea. This fee shall be paid by a cashier's check to the Department of Public Works Business Office prior to the issuance of building permits." (Roads 6 of 6)
- County Agency Condition: Slope Easements and Tests. Slope rights shall be dedicated, where necessary. Slope stability tests are required for road cuts or road fills per recommendations of the Geotechnical Engineer to the satisfaction of County Public Works.



Conditions of Approval

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- County Agency Condition: Transitional Improvements. Right-of-way and improvements (including off-site) to transition traffic and drainage flows from proposed to existing, shall be required as necessary.
- County Agency Condition: Street Gradients. Road profile grades shall not be less than 0.5% unless the engineer at the time of submittal of the improvement plans provides justification to the satisfaction of County Public Works confirming the adequacy of the grade.
- County Agency Condition: CDP/LDD - Roads. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department / Land Development Division – Roads (909) 387-8311" "Construction Permits. Prior to installation of road and drainage improvements, a construction permit is required from County Public Works, Transportation Operations Division, Permit Section, (909) 387-8046, as well as other agencies prior to work within their jurisdiction. Submittal shall include a materials report and pavement section design in support of the section shown on the plans. Applicant shall conduct classification counts and compute a Traffic Index (TI) Value in support of the pavement section design." (Roads 1 of 6)
- County Agency Condition: CDP/LDD - Roads. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department / Land Development Division – Roads (909) 387-8311" "Open Roads/Cash Deposit. Existing County roads, which will require reconstruction, shall remain open for traffic at all times, with adequate detours, during actual construction. A cash deposit shall be made to cover the cost of grading and paving prior to issuance of road encroachment permit. Upon completion of the road and drainage improvement to the satisfaction of the Department of Public Works, the cash deposit may be refunded." (Roads 3 or 6)
- County Agency Condition: Improvement Securities. Any required public road, drainage, and/or utility improvements for subdivisions shall be bonded in accordance with County Development code unless constructed and approved prior to recordation. All necessary fees shall be provided in accordance with the latest fee schedule.
- County Agency Condition: Maintenance Bond. Once all required public road, drainage, and/or utility improvements have been constructed and approved, a maintenance bond for a period of one year shall be required to insure satisfactory condition of all improvements. Submit necessary fees, per the latest fee schedule, for new securities.
- County Agency Condition: Construction Permits. Prior to installation of road and drainage improvements, a construction permit is required from County Public Works, Transportation Operations Division, Permit Section, (909) 387-8046, as well as other agencies prior to work within their jurisdiction. Submittal shall include a materials report and pavement section design in support of the section shown on the plans. Applicant shall conduct classification counts and compute a Traffic Index (TI) Value in support of the pavement section design.
- County Agency Condition: Encroachment Permits. Prior to installation of driveways, sidewalks, etc., an encroachment permit is required from County Public Works, Transportation Operations Division, Permit Section, (909) 387-8046, as well as other agencies prior to work within their jurisdiction.
- County Agency Condition: Soils Testing. Any grading within the road right-of-way prior to the signing of the improvement plans shall be accomplished under the direction of a soils testing engineer. Compaction tests of embankment construction, trench back fill, and all sub-grades shall be performed at no cost to San Bernardino County and a written report shall be submitted to the Transportation Operations Division, Permits Section of County Public Works, prior to any placement of base materials and/or paving.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

- County Agency Condition: Open Roads/Cash Deposit. Existing County roads, which will require reconstruction, shall remain open for traffic at all times, with adequate detours, during actual construction. A cash deposit shall be made to cover the cost of grading and paving prior to issuance of road encroachment permit. Upon completion of the road and drainage improvement to the satisfaction of the Department of Public Works, the cash deposit may be refunded.
- County Agency Condition: CDP/LDD - Drainage. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD, prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311" "Additional Drainage Improvements. At the time each lot/parcel is developed, a California Registered Civil Engineer (RCE) shall prepare/design complete drainage improvement plans and profiles. After these are submitted for review and approval additional "on-site" and/or "off-site" improvements may be required which cannot be determined from tentative plans at this time." (6 of 7)
- County Agency Condition: CDP/LDD - Drainage. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD, prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311" "Drainage Improvements. All required drainage improvements shall be completed by the applicant. The private Registered Civil Engineer (RCE) shall inspect improvements outside the County right-of-way and certify that these improvements have been completed according to the approved plans. Certification letter shall be submitted to Land Development." (7 of 7)
- County Agency Condition: Road Dedication/Improvements. The developer shall submit for review and obtain approval from the Land Use Services Department the following dedications and plans for the listed required improvements, designed by a Registered Civil Engineer (RCE), licensed in the State of California. Cajon Boulevard (Major Highway – 104') • Road Dedication. A 2 foot grant of easement is required to provide a half-width right-of-way of 52 feet. • Street Improvements. Design curb and gutter with match up paving 40 feet from centerline. • Sidewalks. Design sidewalks per County Standard 109 Type "C". • Driveway Approach. Design driveway approach per San Bernardino County Standard 129B, and located per San Bernardino County Standard 130.
- County Agency Condition: Road Standards and Design. All required street improvements shall comply with latest San Bernardino County Road Planning and Design Standards and the San Bernardino County Standard Plans. Road sections shall be designed to Valley Road Standards of San Bernardino County, and to the policies and requirements of the County Department of Public Works and in accordance with the General Plan, Circulation Element.
- County Agency Condition: Street Improvement Plans. The developer shall submit for review and obtain approval of street improvement plans prior to construction. Final plans and profiles shall indicate the location of any existing utility facility or utility pole which would affect construction. Any utility affecting construction shall be relocated as necessary without cost to the County. Street improvement plans shall not be approved until all necessary right-of-way is acquired.
- County Agency Condition: Improvement Securities. Any required public road, drainage, and/or utility improvements for subdivisions shall be bonded in accordance with County Development code unless constructed and approved prior to recordation. All necessary fees shall be provided in accordance with the latest fee schedule.
- County Agency Condition: Topo Map. A topographic map shall be provided to facilitate the design and review of necessary drainage facilities.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

- County Agency Condition: CDP/LDD - Drainage. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD, prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311" "Natural Drainage. Natural Drainage Course(s) and/or Easement(s) shall not be occupied or obstructed, unless specific approval is given by County Land Use Services Department – Land Development Division/Drainage Section for each lot/parcel." (1 of 7)
- County Agency Condition: CDP/LDD - Drainage. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD, prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311" "FEMA Flood Zone. The project is located within Flood Zone X-Unshaded according to FEMA Panel Number 06071C7910H dated 8/28/2008. Flood hazards are undetermined in this area, but possible. No elevation requirements within Flood Zone X-Unshaded. The requirements may change based on the recommendations of a drainage study accepted by the Land Development Division and the most current Flood Map prior to issuance of grading permit. (2 of 7)
- County Agency Condition: CDP/LDD - Drainage. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD, prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311" "Grading Plans. Grading and Erosion control plans shall be submitted for review and approval obtained, prior to construction. All Drainage improvements shall be shown on the Grading plans according to the approved Drainage study report. Fees for grading plans will be collected upon submittal to the Land Development Division and are determined based on the amounts of cubic yards of cut and fill. Fee amounts are subject to change in accordance with the latest approved fee schedule." (3 of 7)
- County Agency Condition: CDP/LDD - Drainage. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD, prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311" "NPDES Permit: An NPDES permit - Notice of Intent (NOI) - is required on all grading of one (1) acre or more prior to issuance of a grading/construction permit. Contact your Regional Water Quality Control Board for specifics. www.swrcb.ca.gov" (4 of 7)
- County Agency Condition: CDP/LDD - Drainage. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD, prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department – Land Development Division – Drainage Section (909) 387-8311" "Regional Board Permit: Construction projects involving one or more acres must be accompanied by Regional Board permit WDID #. Construction activity includes clearing, grading, or excavation that results in the disturbance of at least one (1) acre of land total." (5 of 7)
- County Agency Condition: Drainage Improvements. A Registered Civil Engineer (RCE) shall investigate and design adequate drainage improvements to intercept and conduct the off-site and on-site drainage flows around and through the site in a safety manner, which will not adversely affect adjacent or downstream properties. Submit drainage study for review and obtain approval. A \$750 deposit for drainage study review will be collected upon submittal to the Land Development Division. Deposit amounts are subject to change in accordance with the latest approved fee schedule.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

Land Use Services - Planning

- Subdivision - Composite Development Plan (CDP): A Composite development plan ("CDP"), complying with the County Development Code, shall be submitted for review and approval by the County Surveyor and filed with Land Use Services prior to recordation of the Parcel Map.
- Subdivision - CDP/Planning Division: The following shall be delineated or noted on the CDP (Statements in quotations shall be verbatim): "Land Use Services Department - Planning Division (909) 387-8311" a) "Utilities. All proposed utility lines shall be placed underground." b) "Delineate Building Setback Lines."
- Title Report: A current Title Report prepared for subdivision purposes is required at the time the map is submitted to our office for review.
- County Agency Condition: CDP/LDD - Roads. A Composite Development Plan (CDP) is required and the following shall be delineated or noted on the CDP with confirmation and approval obtained from the LDD prior to recordation of the Parcel Map (Statements in quotations shall be verbatim): "Land Use Services Department / Land Development Division – Roads (909) 387-8311" "Encroachment Permits. Prior to installation of driveways, sidewalks, etc., an encroachment permit is required from County Public Works, Transportation Operations Division, Permit Section, (909) 387-8046, as well as other agencies prior to work within their jurisdiction." (Roads 2 of 6)
- Parcel Map Required: A Parcel Map is required in compliance with the Subdivision Map Act and the San Bernardino County Development Code.
- Non-Interference Letter: Subdivider shall present evidence to the County Surveyor's Office that he has tried to obtain a non-interference letter from any utility company that may have rights of easement within the property boundaries.
- Final Map Review: Review of the Parcel Map by our office is based on actual cost, and requires an initial \$3,000.00 deposit. Prior to recordation of the map all fees due to our office for the project shall be paid in full.
- Easements: Easements of record not shown on the tentative map shall be relinquished or relocated. Lots affected by proposed easements or easement of record, which cannot be relinquished or relocated, shall be redesigned.
- Easements: Easements within the remainder portion of the map are to be dedicated by separate document.

Prior to Land Disturbance

Outstanding

Land Use Services - Planning

- Monument Disturbed by Grading: If any activity on this project will disturb ANY land survey monumentation, including but not limited to vertical control points (benchmarks), said monumentation shall be located and referenced by or under the direction of a licensed land surveyor or registered civil engineer authorized to practice land surveying PRIOR to commencement of any activity with the potential to disturb said monumentation, and a corner record or record of survey of the references shall be filed with the County Surveyor pursuant to Section 8771(b) Business and Professions Code.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

□ Corner Records Required Before Grading: Pursuant to Sections 8762(b) and/or 8773 of the Business and Professions Code, a Record of Survey or Corner Record shall be filed under any of the following circumstances: a. Monuments set to mark property lines or corners; b. Performance of a field survey to establish property boundary lines for the purposes of construction staking, establishing setback lines, writing legal descriptions, or for boundary establishment/mapping of the subject parcel; c. Any other applicable circumstances pursuant to the Business and Professions Code that would necessitate filing of a Record of Survey.

Public Health– Environmental Health Services

□ Vector Control Requirement: The project area has a high probability of containing vectors. EHS Vector Control Section will determine the need for vector survey and any required control programs. A vector clearance letter shall be submitted to EHS/Land Use. For information, contact Vector Control at (800) 442-2283.

Prior to Issuance

Outstanding

Land Use Services - Planning

□ Monument Disturbed by Building: If any activity on this project will disturb any land survey monumentation, including but not limited to vertical control points (benchmarks), said monumentation shall be located and referenced by or under the direction of a licensed land surveyor or registered civil engineer authorized to practice land surveying prior to commencement of any activity with the potential to disturb said monumentation, and a corner record or record of survey of the references shall be filed with the County Surveyor pursuant to Section 8771(b) Business and Professions Code.

Public Health– Environmental Health Services

□ Existing Wells: If wells are found on-site, evidence shall be provided that all wells are: (1) properly destroyed, by an approved C57 contractor and under permit from the County OR (2) constructed to EHS standards, properly sealed and certified as inactive OR (3) constructed to EHS standards and meet the quality standards for the proposed use of the water (industrial and/or domestic). Evidence shall be submitted to DEHS for approval.

□ Individual Wells: If an approved water company cannot serve the project, individual wells are authorized for each daughter parcel providing that County Development Code infrastructure requirements can be met. Conceptual plans, showing that wells and septic system locations meet setback requirements, may be required (§ 83.09.060). If wells are approved, the following notes shall be placed on the Composite Development Plan (CDP), "An individual well shall be utilized as the domestic water source for each lot. The well shall be installed, pump tested, and the pump test results reviewed and approved by EHS prior to the issuance of building permits for each lot."

□ New OWTS: If sewer connection and/or service are unavailable, onsite wastewater treatment system(s) may then be allowed under the following conditions: A soil percolation report per June 2017 standards shall be submitted to EHS for review and approval. If the percolation report cannot be approved, the project may require an alternative OWTS. For information, please contact the Wastewater Section at 1-800-442-2283.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

- Preliminary Acoustical Information: Submit preliminary acoustical information demonstrating that the proposed project maintains noise levels at or below San Bernardino County Noise Standard(s), San Bernardino Development Code Section 83.01.080. The purpose is to evaluate potential future on-site and/or adjacent off-site noise sources. If the preliminary information cannot demonstrate compliance to noise standards, a project specific acoustical analysis shall be required. Submit information/analysis to the DEHS for review and approval. For information and acoustical checklist, contact DEHS at 1-800-442-2283.
- Sewage Disposal: Method of sewage disposal shall be City of San Bernardino, or, if not available, EHS approved onsite wastewater treatment system (OWTS).
- Sewer Service Verification Letter: Applicant shall procure a verification letter from the sewer service provider identified. This letter shall state whether or not sewer connection and service shall be made available to the project by the sewer provider. The letter shall reference the Assessor's Parcel Number(s).
- Water and Sewer Service Verification: Water and/or Sewer Service Provider Verification. Please provide verification that the parcel(s) associated with the project is/are within the jurisdiction of the water and/or sewer service provider. If the parcel(s) associated with the project is/are not within the boundaries of the water and/or sewer service provider, submit to DEHS verification of Local Agency Formation Commission (LAFCO) approval of either: (1) Annexation of parcels into the jurisdiction of the water and/or sewer service provider; or, (2) Out-of-agency service agreement for service outside a water and/or sewer service provider's boundaries. Such agreement/contract is required to be reviewed and authorized by LAFCO pursuant to the provisions of Government Code Section 56133. Submit verification of LAFCO authorization of said Out-of-Agency service agreement to DEHS.
- Water Purveyor: Water purveyor shall be City of San Bernardino MWD or EHS approved.
- Water Service Verification Letter: Applicant shall procure a verification letter from the water service provider. This letter shall state whether or not water connection and service shall be made available to the project by the water provider. This letter shall reference the File Index Number and Assessor's Parcel Number(s). For projects with current active water connections, a copy of water bill with project address may suffice. For information, contact the Water Section at 1-800-442-2283.
- Water System Permit: A water system permit may/will be required and concurrently approved by the State Water Resources Control Board – Division of Drinking Water. Applicant shall submit preliminary technical report to EHS and the State Water Resources Control Board. Application must be approved prior to initiating construction of any water-related development. Source of water shall meet water quality and quantity standards. Test results, which show source meets water quality and quantity standards shall be submitted to the Division of Environmental Health Services (EHS). For information, contact the Water Section at 1-800-442-2283 and SWRCB-DDW at 916-449-5577.

Public Works - Surveyor

- Corner Records Required Before Building: Pursuant to Sections 8762(b) and/or 8773 of the Business and Professions Code, a Record of Survey or Corner Record shall be filed under any of the following circumstances: a. Monuments set to mark property lines or corners; b. Performance of a field survey to establish property boundary lines for the purposes of construction staking, establishing setback lines, writing legal descriptions, or for boundary establishment/mapping of the subject parcel; c. Any other applicable circumstances pursuant to the Business and Professions Code that would necessitate filing of a Record of Survey.



Conditions of Approval

Record: PROJ-2019-00080

System Date: 04/01/2020

If you would like additional information regarding any of the conditions in this document, please contact the department responsible for applying the condition and be prepared to provide the Record number above for reference. Department contact information has been provided below.

Department/Agency	Office/Division	Phone Number
Land Use Services Dept. (All Divisions)	San Bernardino Govt. Center	(909) 387-8311
	High Desert Govt. Center	(760) 995-8140
County Fire (Community Safety)	San Bernardino Govt. Center	(909) 387-8400
	High Desert Govt. Center	(760) 995-8190
County Fire	Hazardous Materials	(909) 386-8401
	Flood Control	(909) 387-7995
	Solid Waste Management	(909) 386-8701
	Surveyor	(909) 387-8149
	Traffic	(909) 387-8186
Dept. of Public Works	Environmental Health Services	(800) 442-2283
Dept. of Public Health		
Local Agency Formation Commission (LAFCO)		(909) 388-0480
Special Districts	Water and Sanitation	(760) 955-9885
	Administration,	
	Park and Recreation,	
	Roads, Streetlights,	(909) 386-8800
	Television Districts, and Other	
External Agencies (Caltrans, U.S. Army, etc.)		See condition text for contact information...

TOM DODSON & ASSOCIATES

Mailing Address: PO Box 2307, San Bernardino, CA 92406

Physical Address: 2150 N. Arrowhead Avenue, San Bernardino, CA 92405

Tel: (909) 882-3612 ♦ *Fax:* (909) 882-7015 ♦ *Email:* tda@tdaenv.com



March 3, 2021

Mr. Samuel Martinez
Local Agency Formation Commission
1170 W. Third Street, Unit 150
San Bernardino, CA 92415-0490

Dear Sam:

LAFCO SC#460 consists of a proposal by the City of San Bernardino (City) to extend sewer service to a site of about 17.33 acres generally located on the south side of Cajon Boulevard between Shelter Way and Palm Avenue in the community of Verdemon which is within the City of San Bernardino northwestern sphere of influence. The property owner submitted a parcel map application to the County of San Bernardino to create three parcels from the existing 17.33 site. Tentative Parcel Map (TPM 20176) was approved by the County in May 2020. The site is presently undeveloped and the only entitlement requested from the County was TPM 20176. The County's action did not include any specific development proposals. The County also adopted a Class 15 Categorical Exemption for the project. If the Commission approves LAFCO SC#460, sewer service can be extended to the three parcels but no development can proceed without further approvals from the County.

As indicated, the County of San Bernardino adopted a Class 15 exemption based on compliance with para 15315 of the State CEQA Guidelines and filed a Notice of Exemption with the County Clerk of the Board's office. A Class 15 exemption authorizes division of an industrially zoned single parcel into "four or fewer parcels when the division is in conformance with the General Plan and zoning....." The property owner must extend the sewer to the three properties before any future development. Approval of LAFCO SC#460 will facilitate this extension. Since no development is proposed as a result of approving LAFCO SC#460, I am recommending that the Commission consider the adopted Categorical Exemption/Notice of Exemption as a CEQA Responsible Agency as the appropriate CEQA environmental determination for LAFCO SC#460.

Based on a review of LAFCO SC#460 and the pertinent sections of CEQA and the State CEQA Guidelines, I believe it is appropriate for the Commission's CEQA environmental determination to cite the County's adopted Categorical Exemption as adequate environmental documentation in accordance with the Commission's CEQA Responsible Agency status. The CEQA review process was carried out in 2020. Based on a field review, I could not identify any substantial changes in circumstances that may have occurred since its adoption that would require additional environmental documentation. The sewer laterals will have to be extended from the existing 15-inch sewer main in Cajon Boulevard. Under this situation, I recommend that the Commission take the following steps if it chooses to approve LAFCO SC#460, acting as a CEQA Responsible Agency:

1. Indicate that the Commission staff and environmental consultant have independently reviewed the County's Notice of Exemption and found it adequate for the extension of service decision.
2. The Commission needs to indicate that it has considered the minimal environmental effects caused by approval of this sewer extension and finds the information adequate for approval of the extension of service decision.

3. The Commission should indicate that it does not intend to adopt alternatives or mitigation measures for this project. No mitigation measures were required for this project but Conditions of Approval were adopted which are the responsibility of the County to implement.
4. File a Notice of Exemption with the County Clerk of the Board as a CEQA Responsible Agency.

If you have any questions regarding these recommendations, please feel free to give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Dodson". The signature is fluid and cursive, with the first name "Tom" and last name "Dodson" clearly distinguishable.

Tom Dodson

TD/cmc

Notice of Exemption

To: ☐ Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

From: San Bernardino County
Land Use Services Department
Planning Division
385 North Arrowhead Avenue, First Floor
San Bernardino, CA 92415-0187

☒ Clerk of the Board of Supervisors
County of San Bernardino
385 North Arrowhead Avenue, Second Floor
San Bernardino, CA 92415-0130

Project Description

APN: 0262-042-22
APPLICANT: Thatcher Engineering/ Vicky Valenzuela
PROPOSAL: Tentative Parcel Map 20176 to subdivide
17.93 gross acres into three parcels located
in the Glen Helen Specific Plan in the Heavy
Industrial Zone.
JCS: PROJ-2019-00080
COMMUNITY: San Bernardino
LOCATION: 19640 Cajon Boulevard, San Bernardino CA.

Applicant

Thatcher Engineering & Assoc., Inc
Name

1461 Ford Street, Suite 105
Address

Redlands, CA 92373

(909) 748-7777
Phone

Representative

Vicky Valenzuela
Name

Same as Applicant
Address

Jessie Bruckhart, Planner
Lead Agency Contact Person

(909) 387-4738
Area Code/Telephone Number

Same as Applicant
Phone

Exempt Status: (check one)

- ☐ Ministerial [Sec. 21080(b)(1); 15268];
☐ Declared Emergency [Sec. 21080(b)(3); 15269(a)];
☐ Emergency Project [Sec. 21080(b)(4); 15269(b)(c)];
☐ Categorical Exemption. State type and section number: _____
☐ Statutory Exemptions. State code number: _____
☒ Other Exemption: 15315 Minor Land Divisions

Reasons why project is exempt: The proposed project meets the Categorical Exemptions guidelines and has been determined to be exempt from the provisions of the California Environmental Quality Act (CEQA). The project has been found categorically exempt per Section 15315 because the project is located in an urban area and is creating less than 5 lots. No structures or ground disturbance is being proposed at this time.

J Bruckhart
Signature Jessie Bruckhart
Planner 1
Title

05/04/2020
Date

☒ Signed by Lead Agency
Date received for filing at OPR: _____
☐ Signed by Applicant

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West Third Street, Unit 150, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

PROPOSAL NO.: LAFCO SC#460

HEARING DATE: MARCH 17, 2021

RESOLUTION NO. 3327

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO SC#460 – CITY OF SAN BERNARDINO IRREVOCABLE AGREEMENT TO ANNEX NO. 2020-362 FOR SEWER SERVICE (ASSESSOR PARCEL NUMBER 0262-042-22)

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

WHEREAS, Government Code Section 56133 requires the Local Agency Formation Commission to review and approve, approve with conditions, or deny applications for agencies to provide services outside their existing boundaries; and,

WHEREAS, an application for the proposed service extension in San Bernardino County was filed with the Executive Officer of this Local Agency Formation 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 determined 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 his 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 March 17, 2021, 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; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the contract, in evidence presented at the hearing;

NOW, THEREFORE, BE IT RESOLVED, that the Local Agency Formation Commission for San Bernardino County does hereby determine, find, resolve and order as follows:

RESOLUTION NO. 3327

DETERMINATIONS:

SECTION 1. The following determinations are noted in conformance with Commission policy:

1. The project area, Assessor Parcel Number (APN) 0262-042-22, which encompasses Tentative Parcel Map (TPM) 20176—a proposal to create three (3) parcels—is within the sphere of influence assigned the City of San Bernardino and is anticipated to become a part of that City sometime in the future.

For water service, the Commission has previously confirmed that the provision of water service within the area previously served by the San Bernardino Water Utilities Corporation—which includes the parcel associated with the proposed TPM, APN 0262-042-22—is exempt from further LAFCO review (LAFCO SC#352). Therefore, the application requests authorization to receive City of San Bernardino sewer service only.

The requirement for water and sewer connection are conditions of approval as identified in the County's conditions of approval for TPM 20176. Therefore, approval of the City's request for authorization to provide sewer service is necessary in order to satisfy the conditions of approval for the project.

2. The Irrevocable Agreement to Annex is being considered for the provision of sewer service by the City of San Bernardino to APN 0262-042-22, generally located on the south side of Cajon Boulevard between Shelter Way and Palm Avenue, within the City of San Bernardino's northwestern sphere of influence. This contract will remain in force in perpetuity for the proposed development or until such time as the project area is annexed.
3. The categories of fees to be charged this project by the City of San Bernardino for the extension of sewer service are identified in the City's application materials (a breakdown of fee categories is on file in the LAFCO office). Payment of these fees is required prior to connection to the City's sewer facilities. In addition, the property owner/developer shall bear all costs to complete improvements needed to extend the sewer service to the project site.
4. Acting as the CEQA lead agency, the County filed a Notice of Exemption for the proposed project. In approving TPM 20176, which does not include any specific development, the County adopted a Categorical Exemption (Class 15) based on compliance with Section 15315 of the State CEQA Guidelines, which authorizes division of property into four or fewer parcels when property is in conformance with the General Plan/zoning.

The Commission certifies that it has reviewed and considered the County's Notice of Exemption (Categorical Exemption) filed for the proposed project prior to reaching a decision on the service contract extension and finds the information adequate for the Commission's use in its decision on the service extension as a CEQA responsible agency. The Commission further finds that it does not intend to adopt alternatives or mitigation measures for this project and that no mitigation measures were required for this project; however, Conditions of Approval were adopted, which is the responsibility of the County to implement.

The Commission directs its Executive Officer to file a Notice of Exemption as CEQA Responsible Agency within five (5) working days with the San Bernardino County Clerk of the Board of Supervisors.

RESOLUTION NO. 3327

SECTION 2. CONDITION. The City of San Bernardino 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 service contract, including any reimbursement of legal fees and costs incurred by the Commission.

SECTION 3. The Local Agency Formation Commission for San Bernardino County does hereby determine to authorize the service extension contract submitted by the City of San Bernardino to provide sewer service to the project area, Assessor Parcel Number (APN) 0262-042-22, which encompasses Tentative Parcel Map 20176.

SECTION 4. The Commission instructs the Executive Officer of this Local Agency Formation Commission to notify the affected agencies that the application identified as LAFCO SC#460 - City of San Bernardino Irrevocable Agreement to Annex No. 2020-362 for Sewer Service, has been approved.

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, Samuel Martinez, 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 March 17, 2021.

DATED:

SAMUEL MARTINEZ
Executive Officer

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West Third Street, Unit 150, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 10, 2021 
FROM: SAMUEL MARTINEZ, Executive Officer
MICHAEL TUERPE, Senior Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #12(a) – Proposed Schedule of Fees, Deposits, and Charges for FY 2021/22

RECOMMENDATION:

Staff recommends that the Commission take the following actions related to the Proposed Schedule of Fees, Deposits and Charges for Fiscal Year 2021/22:

1. Review the proposed amendments and provide staff with direction on changes, corrections, or modifications to be included.
2. Direct staff to forward the Proposed Schedule of Fees, Deposits, and Charges for FY 2021/22 to the County, all Cities/Towns, and all Independent Special Districts for their review and comments pursuant to Government Code Section 56383.
3. Schedule the final review and adoption of the Schedule of Fees, Deposits, and Charges for the May 19, 2021 hearing.

BACKGROUND:

The Commission has established a schedule of fees, deposits, and charges for the processing of proposals and the conduct of proceedings under its purview as allowed by law. This staff report presents the Commission with recommendations for amendments to its current Schedule of Fees, Deposits, and Charges ("Schedule"). The revised schedule is included as an attachment to this report. Based upon the requirements of Government Code Section 56383 (which references Section 66016), any change to the Schedule requires that a review and comment period be provided and that a public hearing be held with the opportunity for comment by the public. Today's review opens this process.

In line with the Commission's direction, the Fees identified on page 2 (Jurisdictional Change) and page 6 (Service Contract) increase with the 2020 annual inflation rate of 1.9%¹.

¹ 1.9% for Riverside-San Bernardino-Ontario, CA

CONCLUSION:

At this hearing the Commission is requested to provide staff with any changes, corrections, or additions to be included in the revisions proposed for the Schedule of Fees, Deposits, and Charges. Should the Commission have any changes/modifications, staff would then have to modify the FY 2021/22 Proposed Budget accordingly.

Staff will forward the proposed Schedule to the County, the Cities and Towns, and the Independent Special Districts for their review and comment as required by Govt. Code §56383. Any comments received will be reviewed with the Commission at the final budget hearing scheduled for May 19, 2021 when the adoption of the Schedule will be considered.

SM/MT

Attachment:

[Draft Schedule of Fees, Deposits, and Charges for FY 2021/22 \(track format\)](#)

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

SCHEDULE OF FEES, DEPOSITS, AND CHARGES EFFECTIVE JULY 1, ~~2020~~ 2021

The submission of an application to the Local Agency Formation Commission ("LAFCO") is not officially accepted for processing until the filing fees and deposits have been received (Gov't. Code §56383). Filing Fees are for the Commission's and staff's costs. Deposits are for the recovery of outside costs for such items as LAFCO Legal Counsel, environmental review, individual notification, and protest proceedings, etc. In addition, certain fees and charges are required at the conclusion of the application process and must be received prior to its official completion.

Financial Policies for Application Processing

Refer to Attachment A for the Commission's policies related to waivers and reductions of processing fees, filing fee refund if an application is withdrawn, indemnification, and responsibility for payment of special legal counsel costs. The Indemnification Policy is identified below.

Indemnification Policy

It is the policy of this Commission that for any application submitted for a change of organization or reorganization, a sphere of influence amendment, or a review of an out-of-agency service contract/agreement, the applicant and/or the real party in interest shall agree to defend, indemnify, and hold harmless San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them. A real party in interest includes the landowner and/or a registered voter of an application subject property.

Annual Review and Adjustment

The Fees are adjusted annually to increase with the Consumer Price Index, not to exceed five percent. Deposits and Charges relate to outside professional services and supplies and are evaluated annually.

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<u>Section 1.</u>	Proposals – Application Submission and Processing
<u>Section 2.</u>	Proposals – Completion Fees and Charges
<u>Section 3.</u>	Out-of-Agency Service Contracts
<u>Section 4.</u>	Reproduction Charges
<u>Attachment A.</u>	Financial Policies for Application Processing

Section 1. Proposals - Application Submission and Processing

FEE AND DEPOSITS SUMMARY			
Type of Proposal	Fee	Deposits*	Total
Annexation, Detachment, Reorganization involving solely annexations and/or detachments	See Annexation/ Detachment Chart	\$4,000	
<p><i>The fees identified in Chart 1 shall be assessed for each area of consideration within the proposal. A single area means any separate geographical area requiring a legal description. A "single area" does not include two areas that are contiguous only at a point, or two or more areas that are contiguous to an existing boundary of a city or district but not to each other.</i></p> <p><i>See Attachment A for automatic waivers or reductions in the Fee regarding: correcting boundary alignment problem; annexation/detachment with concurrent sphere of influence amendment; city island annexations under §56375.3; readjustments of agency boundaries due to roadway realignment.</i></p>			

Annexation/Detachment Chart

Valley and Mountain Region				
	Under 20 acres	20 – 150 acres	151 – 300 acres	Over 300 acres
City	\$ 6,359 6,480	\$ 8,479 8,640	\$ 10,599 10,800	10,800 \$ 10,599 plus \$1 per acre over 300 acres
District	\$ 5,299 5,400	\$ 6,889 7,020	\$ 8,479 8,640	8,640 \$ 8,479 plus \$1 per acre over 300 acres
Desert Region (North and South Desert)				
	Under 100 acres	100-640 acres	641-1,920 acres	Over 1,920 acres
City	\$ 6,359 6,480	\$ 8,479 8,640	\$ 10,599 10,800	10,800 \$ 10,599 plus \$1 per acre over 1,920 acres
District	\$ 5,299 5,400	\$ 6,889 7,020	\$ 8,479 8,640	8,640 \$ 8,479 plus \$1 per acre over 1,920 acres

Sphere of Influence Amendment	5,400	\$ 5,299	\$4,000	\$ 9,299	9,400
District: Dissolution, Merger, or Establishment of Subsidiary District(s)	5,400	\$ 5,299	\$4,000	\$ 9,299	9,400
District: Formation or Consolidation	16,200	\$ 15,898	\$4,000	\$ 19,898	20,200
District: Activation/Divestiture of Functions and/or Services	8,100	\$ 7,949 each function/service	\$4,000	\$ 11,949	12,100
City: Consolidation	21,600	\$ 21,197	\$4,000	\$ 25,197	25,600
City: Incorporation or Disincorporation	21,600	\$ 21,197	\$54,000	\$ 75,197	75,600
Reorganization <i>For a reorganization that involves changes other than annexations and detachments, the fee will be based upon the components of the reorganization.</i>		Sum of Components	\$4,000		

*DEPOSITS BREAKDOWN

Applicants shall be required to reimburse the Commission for all charges and costs in excess of the deposits outlined below. Reimbursement to LAFCO shall be required prior to issuance of the Commission's Certificate of Completion for jurisdictional changes or issuance of the Commission's resolution for sphere of influence amendments/updates. If charges billed to LAFCO are less than the amount of deposit, the balance will be refunded to the applicant or applied to other categories where excess charges have been incurred.

Legal Counsel (\$250 non-refundable, \$1,750 deposit)	\$2,000
<p><i>It is the policy of this Commission that the costs for Special Counsel due to a representation conflict shall be the responsibility of the applicant. Additionally, as a condition of approval of any action taken by LAFCO, the proponents shall be required to defend, indemnify and hold harmless LAFCO or its agents, officers, and employees from any claim, action, or proceeding against LAFCO or its agents, officers, and employees to attack, set aside, void, or annul the approval of LAFCO concerning the proposal or any action relating to, or arising out of, such approval when such action is brought within the applicable statute of limitations. Refer to <u>Policy and Procedure Manual, Section II, Chapter 2</u>.</i></p>	
Individual Notice (\$250 non-refundable, \$750 deposit)	\$1,000
<p>(1) Individual Mailed Notice or (2) Publication of Display Ad in lieu of Individual Notice</p> <p><i>In cases where the noticing would involve mailing more than 1,000 notices, the Commission may waive the individual notice requirement and direct its staff to publish a 1/8th page display ad in a newspaper of general circulation within the area. Refer to <u>Policy and Procedure Manual, Section IV, Chapter 1, Policy 9</u>.</i></p> <p><i>By policy, individual notice to landowners and registered voters shall not be waived for city island annexations filed pursuant to Government Code Section 56375.3, even if it includes more than 1,000 notices.</i></p>	
<p>Proposals Extending an Existing Special Tax</p> <p><i>Should a proposal require individual notice due to the extension of an existing special tax, the proponent will be required to submit a deposit for the direct costs such as: (1) the County Assessor to compile the mailing list, (2) outside printing to produce the printed notices, (3) and County Mail for shipping and handling. Please contact the LAFCO office for the estimated deposit cost.</i></p>	Actual Cost
Environmental Review (\$250 non-refundable, \$750 deposit)	\$1,000
<p><i>All applicants shall be required to pay the full costs of the Commission's Environmental Consultant's review regardless whether the Commission is the lead or responsible agency as defined under CEQA.</i></p>	
Preparation of Negative Declaration/Mitigated Negative Declaration	Additional \$15,000
Preparation of an Environmental Impact Report (EIR)	Additional \$25,000
<p>If the proposal requires that LAFCO prepare a Negative Declaration/Mitigated Negative Declaration or EIR as CEQA lead agency, the CA Dept. of Fish and Wildlife (DFW) CEQA Environmental Document Filing Fees are required to be paid at the time LAFCO files the Notice of Determination with the Clerk of the Board of the affected County. The applicant will be notified of the appropriate fees, which must be received by LAFCO prior to the Commission hearing. Contact the LAFCO office for the current DFW filing fees.</p>	

San Bernardino LAFCO
Schedule of Fess, Deposits, and Charges
July 1, ~~2020~~ 2021

Protest Proceeding, if applicable (\$250 non-refundable, \$1,250 deposit)	\$1,500
<i>Deposit required within 30 days of Commission approval of action. The Protest Hearing will not be set until deposit has been paid. Applicants shall be required to reimburse the Commission for any protest proceeding costs in excess of the deposit. Reimbursement to LAFCO shall be required prior to issuance of the Certificate of Completion. If charges billed to LAFCO are less than the amount of the deposit, the balance of the fee will be refunded to the applicant or applied to other categories where excess charges have been incurred.</i>	
Proposals Extending an Existing Special Tax <i>Should a proposal require individual notice due to the extension of an existing special tax, the proponent will be required to submit a deposit for the direct costs such as: (1) the County Assessor to compile the mailing list, (2) outside printing to produce the printed notices, (3) and County Mail for shipping and handling. Please contact the LAFCO office for the estimated deposit cost.</i>	Actual Cost

ADDITIONAL FEES AND DEPOSITS

Comprehensive Fiscal Analysis for Incorporation or Disincorporation, Deposit	\$50,000
<i>A \$50,000 deposit is required at the time the application is submitted. Applicants shall be required to reimburse the Commission for all costs associated with the preparation of the Comprehensive Fiscal Analysis in excess of the deposit prior to the scheduling of the Commission hearing. If the charges billed to LAFCO for the preparation of the required document are less than the amount of the deposit, the balance will be refunded to the applicant or applied to other categories where excess charges have been incurred.</i>	
State Controller's Fiscal Review for Incorporations, Deposit	\$25,000
<i>A \$25,000 deposit is required at the time a Request for State Controller Review is submitted. All costs in excess of this amount will be the responsibility of the Requestor for payment. Any balance remaining after payments are made to the State will be refunded to the Requestor of Review.</i>	
Verification of Petition Signatures by Registrar of Voters Office, Deposit	\$200
<i>A \$200 deposit from the applicants is required at the time of petition submission. This amount will be refunded upon certification of the petition and determination of billable charges. The charges assessed by the Registrar of Voters Office to verify petition signatures shall be payable by the affected entity in the same manner as the verification of initiative petition signatures is billed.</i>	
Request for Reconsideration of LAFCO Decision or Environmental Determination, Fee	\$2,500
<i>Should a reconsideration request require individual notice due to the extension of a special tax, then the proponent will be required to submit a deposit for the direct costs to produce and mail the individual notices.</i>	
Workshop Request, Deposit	\$1,000
<i>Proponents of actions pending Commission review may request that a Commission workshop be held in their area. If the Commission agrees to conduct such a workshop session, the Commission may require reimbursement of all costs associated with that session by the proponents, subject to a deposit.</i>	
Request for Extension of Time to Complete Change of Organization Proceedings (Gov't. Code Section 57001)	\$1,100

Section 2.

Proposals - Completion Fees and Charges

Following Commission approval of an action, the following fees or charges may be required. LAFCO staff will notify the applicant at the time the Commission's resolution is forwarded which of the following fees or charges is applicable to the proposal:

- A. County Geographic Information Management System (GIMS) Processing, required prior to issuance of the Certificate of Completion for jurisdictional changes or issuance of the Commission's resolution for sphere of influence amendments/updates:

1. Changes requiring an update to current sphere or boundaries of participating agencies
(Fees identified below will be assessed for each area of consideration. The definition of area is provided under Processing Fees on Page 2.)

<u>Acreage</u>	<u>Primary Charge</u>	<u>Additional Agency</u>
0 to 100 acres	\$400	\$ 85
101 to 640 acres	\$550	\$110
641 to 2,560 acres	\$825	\$150
over 2,560 acres	\$1,100	\$175

2. Incorporation, Formation, or placement of a new agency boundary or sphere into the LAFCO-maintained GIMS system \$3,000

(The fees for incorporations or formations can be deferred until the new City/Town or District receives its first revenues. A request for deferral shall be made to the Executive Officer.)

- B. At the time the Certificate of Completion is forwarded to the State Board of Equalization (SBE), application types listed under Item A - Processing Fees Subsections 1 through 7 (except for Spheres of Influence), are charged a processing fee pursuant to SBE's adopted Fee Schedule (Government Code Section 54902.5). The fees listed below, as identified by SBE, are current as of January 1, 2011. LAFCO staff will notify the applicant of the appropriate fees:

Single Area Charges:	
Less than 1 acre	\$300
1-5 acres	\$350
6-10 acres	\$500
11-20 acres	\$800
21-50 acres	\$1,200
51-100 acres	\$1,500
101-500 acres	\$2,000
501-1,000 acres	\$2,500
1,001-2,000 acres	\$3,000
2,001 acres and above	\$3,500

(Additional types of charges are outlined in the State Board of Equalization Fee Schedule. LAFCO staff will notify the applicant of the appropriate fees.)

Section 3. Out-of-Agency Service Contract

FEE AND DEPOSITS SUMMARY			
Type of Service Contract	Fee	Deposits*	Total
Contracts involving developments such as: subdivisions/tracts as defined by the Subdivision Map Act (five or more units), Specific Plans	\$ 5,299 5,400	\$2,400	\$ 7,699 7,800
Contracts involving the development of units requiring only a parcel map as defined by the Subdivision Map Act (up to four units)	\$ 1,060 1,080 per connection	\$2,400	\$ 3,460 to \$6,640
Any contract for fire protection services outside a public agency's jurisdictional boundaries pursuant to Govt. Code Section 56134	\$ 5,299 5,400	\$2,400	\$ 7,699 7,800
Contracts to provide services outside a sphere of influence pursuant to Govt. Code Section 56133.5	\$ 1,060 1,080	\$2,400	\$ 3,460
Contract Requiring Approval pursuant to Govt. Code Section 56133 (c)	\$ 1,060 1,080	\$2,400	\$ 3,460
Development-Related Request for Exemption from Govt. Code Section 56133, requires noticed Commission hearing	\$ 2,384 2,429	\$0	\$ 2,384 2,429
Non-development-related (Administrative Review from Executive Officer): (1) Out-of-Agency Service Contract (City or District) or (2) Exemption from Govt. Code Section 56133 as Authorized by Commission Policy	\$ 550 560	\$0	\$ 550 560

*DEPOSITS BREAKDOWN

Applicants shall be required to reimburse the Commission for all charges and costs in excess of the deposits outlined below. Reimbursement to LAFCO shall be required prior to issuance of the Commission's resolution for service contracts. If charges billed to LAFCO are less than the amount of deposit, the balance will be refunded to the applicant or applied to other categories where excess charges have been incurred.

Legal Counsel (\$250 non-refundable, \$450 deposit)	\$700
<i>It is the policy of this Commission that the costs for Special Counsel due to a representation conflict shall be the responsibility of the applicant. Additionally, as a condition of approval of any action taken by LAFCO, the proponents shall be required to defend, indemnify and hold harmless LAFCO or its agents, officers, and employees from any claim, action, or proceeding against LAFCO or its agents, officers, and employees to attack, set aside, void, or annul the approval of LAFCO concerning the proposal or any action relating to, or arising out of, such approval when such action is brought within the applicable statute of limitations. Refer to <u>Policy and Procedure Manual, Section II, Chapter 2.</u></i>	
Individual Notice (\$250 non-refundable, \$750 deposit)	\$1,000
(1) Individual Mailed Notice or (2) Publication of Display Ad in lieu of Individual Notice <i>In cases where the noticing would involve mailing more than 1,000 notices, the Commission may waive the individual notice requirement and direct its staff to publish a 1/8th page display ad in a newspaper of general circulation within the area. Refer to <u>Policy and Procedure Manual, Section IV, Chapter 1, Policy 9.</u></i>	

Environmental Review (\$250 non-refundable, \$450 deposit)	\$700
<i>All applicants shall be required to pay the full costs of the Commission's Environmental Consultant's review regardless whether the Commission is the lead or responsible agency as defined under CEQA.</i>	
Preparation of Negative Declaration/Mitigated Negative Declaration	Additional \$15,000
Preparation of an Environmental Impact Report (EIR)	Additional \$25,000
If the proposal requires that LAFCO prepare a Negative Declaration/Mitigated Negative Declaration or EIR as CEQA lead agency, the CA Dept. of Fish and Wildlife (DFW) CEQA Environmental Document Filing Fees are required to be paid at the time LAFCO files the Notice of Determination with the Clerk of the Board of the affected County. The applicant will be notified of the appropriate fees, which must be received by LAFCO prior to the Commission hearing. Contact the LAFCO office for the current DFW filing fees.	

Section 4. Reproduction Charges

- | | | |
|----|--|--------------|
| A. | Charges for Purchase of Paper Copies, per page | |
| | (1) from paper materials (requests in excess of 10 pages) | 10 cents |
| | (2) from existing digital data (requests in excess of 20 pages) | 5 cents |
| B. | Charges for Purchase of Digital Data | |
| | (1) placement of materials on digital medium | \$10 |
| | (2) scan copies of paper materials (if applicable), per page | 5 cents |
| C. | DVD Copy of Commission Hearing
(available if production services are utilized for hearings) | \$25 per DVD |
| D. | Preparation of Transcript of Hearing | Actual Cost |

(Those requesting a transcript of a Commission hearing will be notified of the estimated cost for preparation. The Requestor will be required to provide a deposit in the amount of the estimated cost. All costs in excess of the deposit amount will be the responsibility of the Requestor for payment. Any balance remaining after final charges are determined will be refunded to the Requestor.)

Attachment A:
Policy and Procedure Manual, Section II, Chapter 2: Financial Policies for
Application Processing

CHAPTER 2: FINANCIAL POLICIES FOR APPLICATION PROCESSING

1. LAFCO FEE WAIVER/REDUCTION PROVISIONS *(Adopted June 10, 1981 (effective July 1, 1981); Amended March 20, 1996, July 18, 2001, May 17, 2006, May 16, 2007, and November 20, 2013)*

A. AUTOMATIC WAIVERS

For proposals that correct a boundary alignment problem (i.e., a divided assessor's parcel or inadvertent exclusion), the Annexation, Detachment, or Reorganization filing fee will be automatically waived. All required deposits (anticipated direct costs for legal counsel, environmental review, and registered voter/landowner notification) including any completion fees/deposits applicable will be charged at full cost.

For reorganization proposals that require a concurrent sphere of influence amendment (expansion and/or reduction) and reorganization (annexation and/or detachment) for the same area, the Sphere of Influence Update/Service Review filing fee will be automatically waived - provided the reorganization/sphere proposal does not exceed 100 acres. The Annexation, Detachment, or Reorganization filing fee including all required deposits and any completion fees/deposits applicable will be charged at full cost.

Compliance with any of these automatic waiver conditions is to be determined by the LAFCO Executive Officer, who is authorized to notify the applicant(s) involved.

B. AUTOMATIC REDUCTIONS

City annexations of island areas that comply with Government Code Section 56375.3 will be assessed one-half of the LAFCO filing fee for each area of consideration. All required deposits and any completion fees/deposits applicable will be charged at full cost.

The readjustment of agency boundaries as a result of the realignment of a roadway will be reduced to a single Annexation, Detachment, or Reorganization filing fee per entity involved no matter how many changes or separate areas are included in the proposal. All required deposits and any completion fees/deposits applicable will be charged.

Compliance to any of the automatic reduction conditions is to be determined by the LAFCO Executive Officer, who is authorized to notify the applicant(s) involved.

C. REQUEST FOR WAIVER OR REDUCTION OF FEES (to be reviewed and approved by the Commission):

Any applicant may request for a waiver or reduction of the LAFCO filing fee to be charged. The request must be submitted in writing and accompany the submission of the application to the LAFCO Executive Officer. The request shall include a justification for the request and the fee(s) it is requesting to be waived or the dollar amount of fees being reduced. The Executive Officer shall present the waiver/reduction request for Commission review on the consent calendar at the next regular hearing. The Commission may waive/reduce the filing fee if it determines that payment would be detrimental to the public interest pursuant to Government Code Section 56383(d). A waiver/reduction of fees is limited to those costs incurred by the Commission in processing the proposal. The Commission may authorize a waiver or reduction of the LAFCO filing fee based upon the special circumstances of the proposal, if any. Processing of the application shall be held in abeyance until a decision is rendered by the Commission regarding the request for fee waiver/reduction.

2. **LAFCO FILING FEE REFUND** (*Originally Adopted May 21, 1991 as part of the Fee Schedule; Added to Policy Manual on May 17, 2006; Amended August 21, 2013; August 17, 2016; April 15, 2020*)

If withdrawal of an application is requested, the LAFCO Filing Fee paid for processing will be refunded in the following manner:

- A. Following issuance of the Notice of Filing: 50% refund.
- B. Following issuance of the Certificate of Filing (change of organization/reorganization) or Department Review Committee process (sphere of influence amendment): no refund.

PROCEDURES:

Deposits are subject to individual refund procedures outlined on the Schedule of Fees, Deposits, and Charges.

3. **INDEMNIFICATION** (*Adopted May 19, 1993; effective June 1, 1993; Amended May 17, 2006, Amended August 19, 2015; August 17, 2016*)

It is the policy of this Commission that for any application submitted for a change of organization or reorganization, a sphere of influence amendment, or a review

of an out-of-agency service contract/agreement, the applicant and/or the real party in interest shall agree to defend, indemnify, and hold harmless San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them. A real party in interest includes the landowner and/or a registered voter of an application subject property.

PROCEDURES:

- A. Acknowledgement of LAFCO Indemnification Requirement:
 - 1. When a public agency adopts a resolution of application to initiate an application for a change of organization or reorganization, a sphere of influence amendment, or a fire protection contract, the resolution shall include a provision acknowledging the Commission's requirement for indemnification as outlined in this Manual.
 - 2. When a state agency or a real party of interest initiates an application for a change of organization or reorganization, a sphere of influence amendment, or a fire protection contract, the written request shall include a statement acknowledging the Commission's requirement for indemnification as outlined in this Manual.
- B. In signing the certification on the Application form, on any of the supplement forms or on the Application for Extension of Service by Contract form, the person signing acknowledges the Commission's requirement for indemnification as outlined in this Manual.
- C. The Commission shall impose a condition within its resolution of approval that requires the applicant and/or the real party of interest to defend, indemnify, and hold harmless the Commission, its agents, officers, attorneys, and its employees from any claims, actions or proceedings against them to attack, set aside, void, or annul such approval.
- D. The Executive Officer shall promptly notify the applicant or real party of interest of any legal action brought challenging the Commission's action, and the Commission, its agents, officers, attorneys, and employees shall cooperate fully in the defense of that action.
- E. The applicant may provide their own counsel in the defense of the action taken, or the applicant may elect to use the services of San Bernardino LAFCO Counsel in that defense. In the latter case, the Executive Officer may require a deposit of funds sufficient to cover the anticipated expense of the litigation.

4. RESPONSIBILITY FOR PAYMENT OF SPECIAL LEGAL COUNSEL COSTS
(Adopted May 17, 2006, Amended August 19, 2015)

It is the policy of this Commission that the costs for Special Counsel shall be the responsibility of the applicant subject to the following determinations:

- A. If Special Counsel is required due to a representation conflict with the applicant of the proposal, the applicant shall be responsible for all Special Counsel charges.
- B. If Special Counsel is required due a representation conflict outside the control of the applicant, the applicant shall be responsible for paying the regular San Bernardino LAFCO Legal Counsel hourly rate. The balance of Special Counsel costs will be the responsibility of the Commission.

PROCEDURES:


The adopted procedure for the Responsibility for Payment of Special Legal Counsel Costs Policy is as follows:

Once a determination has been made pursuant to Commission Policy for Waiver of LAFCO Legal Counsel Conflicts of Interest that Special Counsel is required, the following procedure shall be followed:

- A. The Executive Officer shall promptly notify the proponents of the proposal that Special Counsel is required.
- B. An item shall be placed on the next available Commission Agenda to approve the contract for Special Counsel and to determine the method for apportioning the cost to the applicant.
- C. Once a determination is made regarding the apportionment of the cost, the Executive Officer may require a deposit of the estimated costs for Special Counsel.
- D. All Special Counsel costs that are the responsibility of the applicant shall be paid prior to issuance of the Certificate of Completion.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: MARCH 10, 2021 
FROM: SAMUEL MARTINEZ, Executive Officer
MICHAEL TUERPE, Senior Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #12(b) – Proposed Budget and Work Plan for Fiscal Year 2021/22

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Adopt the Proposed Budget and Work Plan for Fiscal Year 2021/22 as presented by staff.
2. Direct staff to forward the adopted Proposed Budget, as may be modified at this hearing, to all the independent special districts, cities/towns, and the County for their comment pursuant to Government Code Section 56381.
3. Schedule a public hearing for May 19, 2021 for formal:
 - a. Approval of the contract amendment with the Inland Valley Development Agency for the Commission's use of the Norton Regional Event Center for Commission meetings.
 - b. Approval of the amendments to the Policy and Procedure Manual for Salaries and Benefits; and,
 - c. Adoption of the Final Budget for Fiscal Year 2021/22.

SUMMARY:

Staff's goals for this budget are to: (1) reduce the apportionment across-the-board, (2) fund statutory regulations, and (3) maintain Commission operations. To meet these goals, staff's position is that a reduction in costs should be sought wherever possible.

As with prior years, the Executive Officer and the Administrative Committee discussed the budget process, staff's goals and position, and the Committee's goals and position. The

Proposed Budget includes a COLA to Salaries and Benefits, scheduling of six hearings instead of 10, migration to a new website platform, and decreases the apportionment.

The past year has been challenging for agencies, but recovery hopes are on the rise. Nonetheless, the statutory mandates placed upon municipal service delivery have not been waived. Therefore, the Commission's work must continue. There are three circumstances continuing for the coming year.

First, with a reduction in sales taxes, cities are seeking ways to provide more efficient and more effective delivery means. Second, the housing crises remains which most likely will result in annexations to cities as well as out-of-agency service contracts. Third, the pension systems incurred significant losses since 2018/19, resulting in additional employer contributions to the retirement systems; thereby causing agencies to seek more efficient and effective delivery means. LAFCO has a role to play in all of these scenarios. All the while, we need to remain cognizant of the local agencies that contribute to LAFCO's net operating costs—specifically the small special districts—whose apportionment decrease in this budget.

Report Organization

Narratives (staff recommendations, discussions)	
Work Plan	Page 2
Salaries and Benefits	Page 4
Services and Supplies	Page 7
Trust Transfers	Page 11
Reserves	Page 13
Revenues	Page 14
Account Details (detail of each account to include: account description, charge measurement, identification of increase or decrease, and total cost)	
General Ledger with Prior Year Actuals	Attachment #1
Salaries and Benefits	Attachment #2
Services and Supplies	Attachment #3
Revenues	Attachment #4

WORK PLAN

New to the budget process is a proposed work plan, which would prioritize the work of the Commission and staff and guide the budget. The work plan is shown on the next page.

The priorities are categorized as Continual, High, Medium, and Low. Each function is categorized as Statutory, Budgetary, or Administrative. The two columns on the right are the summary and details of each program or project. For example, following the Statutory functions (Continual and High), the first Medium Priority is to reduce the apportionment.

Priority	Function	Program/Project	Description and Key Issues
1 Continual	Statutory	Proposals	LAFCO's core function is to process changes of organization & sphere amendments
2	Statutory	Service Contracts	LAFCO is the authority to process and approve extra-territorial services
3 High	Statutory	Service Review: Countywide Park and Recreation	Review of all local park and recreation agencies (est. Nov 2020)
4	Statutory	Service Review: Solid Waste	Review of all solid waste agencies (begin)
5	Statutory	Service Review: Continued Monitoring	Continue to monitor agencies selected from prior service reviews (ongoing)
6	Statutory	Annual Audit	Coordinate independent auditor's review of financial statements
7	Statutory	Update Disadvantaged Community Mapping	Commission policy directs that the updates will occur in years ending in 1 and 6.
8 Medium	Budgetary	Reduce Apportionment	Reduce apportionment by 2.7% by returning it to FY 2019-20 level
9	Statutory/Admin	New Website	The platform of the LAFCO website no longer receives support updates and will not receive security updates in a year or two
10	Liability	Net Pension Liability Reserve	Fund per the Amortization Schedule
11	Liability	Compensated Absences	Fully fund per Commission policy
12	Liability	Salary Reserve	Fund one-tenth of a pay period per Commission policy
13	Budgetary	General Reserve	Increase General Reserves by \$25,000 (17% increase)
14	Administrative	SALC Grant: Map Prime Ag Lands & Formulate Policies	At its December 2020 meeting, the Department of Conservation awarded the Sustainable Agricultural Lands Conservation (SALC) grant to LAFCO. Tasks include mapping, stakeholder meetings, policy writing, and grant administration
15	Administrative	Review and Comment on Agency Plans	Review and comment on draft changes/updates to city and county general plans
16	Administrative	Review and Comment on Environ. Documents	Review and comment on draft environmental documents prepared pursuant to CEQA
17	Administrative	Communication and Project Management Platform	Implement Microsoft Teams for workflow and communication
18	Administrative	Communication with Agencies	Increase awareness about the mission, purpose and function of LAFCO (see Attachment #5 and #6)
19	Administrative	Governance Training Program	Due to the pandemic, the Governance Training Program is on hiatus. When restrictions on gatherings lift, staff will conduct two courses: LAFCO 101 and New Board Member Governance training.
20	Administrative	CALAFCO	Participate in CALAFCO through Board, Leg Committee, and Annual Workshop & Conference
21	Administrative	Association of So Cal LAFCOs	Participate in So Cal LAFCO Group through Board and staff committees & positions
22 Low	Administrative	Policy Manual Update	Periodic review and update of the Policy and Procedure Manual
23	Budgetary	Contingency Reserve	Contribute an additional \$6,400 for a balance of \$25,000
24	Administrative	Local Agency Directory	Revise the publication identifying and summarizing local government agencies subject to LAFCO oversight
25	Administrative	Internal Databases	Revise two databases: mailing list and proposal log
26	Administrative	Fiscal Indicators Program	The program is currently in hiatus. Portions of the program are incompatible with the current website, and portions of the program will be incompatible with the new website. Staff and the Admin Committee propose to revamp the program. In addition to a current and viable platform, improvements would include new design, mobile access, and replacement of certain indicators with more representative indicators.
27	Budgetary	Approve Benefit Increases	This was reviewed as a part of the FY 20-21 budget, the Commission deferred discussion to the FY 21-22 budget. Medical Premium Subsidy, Medical Reimbursement Plan, and Retirement Medical Trust.
28	Budgetary	Provide a COLA to Salaries	No COLA was provided for FY 20-21. Propose COLA of 2.0% for FY 21-22 (inflation is 1.9% for CY 2020)

SALARIES AND BENEFITS

The current fiscal year includes the following staffing structure: Executive Officer, Senior Analyst, LAFCO Analyst-GIS/Database, and Clerk to the Commission/Office Manager. Additionally, the Commission contracts with Robert Aldrich for supplemental staffing services and uses temporary services when needed (both paid from Services and Supplies). This budget includes retention of the current staffing model, with supplemental staffing used for the service reviews and clerical support when needed.

Compensation and Benefit Changes

LAFCO mirrors the salary schedule and benefits provided in the County's Exempt Compensation Plan as identified in the LAFCO Policy and Procedure Manual and contracts with the County to administer the benefits for its employees, with exceptions as identified in the Policy and Procedure Manual.

For the FY 2020/21 budget, staff recommended and the Commission agreed to defer salary and benefit increases adopted by the County Board for its Exempt employees that took effect July 2020. The increase categories included: COLA for Salaries, Medical Premium Subsidy, Medical Reimbursement Plan, and Retirement Medical Trust.

For the FY 2021/22 budget, staff recommends implementing the changes identified above. A review of the proposed expenditures, increases to reserves, and revenues show that the goals of the proposed workplan can be met even if the Commission approves the salary and benefit increases. This budget proposes the following policy amendments:

1. Provide a 2.0% COLA for all employees. Inflation for Calendar Year 2020 was 1.9% for our region, and this is the basis for 2.0%.
2. Increases to the following benefit categories:
 - a. Medical Premium Subsidy (A subsidy is provided to offset employee medical premiums):

FY	Employee	Employee +1	Employee +2
2020/21	\$253.33	\$399.03	\$559.94
2021/22	\$260.93	\$411.00	\$576.74
2022/23	\$268.76	\$423.33	\$594.04

- b. Medical Reimbursement Plan LAFCO matches payment towards a Medical Reimbursement Plan up to \$40 per employee per pay period. For those employees who elect to participate in the employer sponsored HMO medical plans and elect to enroll in the Flexible Spending Account, LAFCO would contribute up to an additional \$10 per pay period (from \$40 to \$50).

- c. Retirement Medical Trust (LAFCO contributes to a Retirement Medical Trust Fund for employees with over 5 years of service):

FY	Percentage of Base Pay		
	Years of Service		
	5-9	10-15	16 or more
2020/21	2.75%	1.75%	1.00%
2021/22	3.75%	2.75%	2.00%

Should the Commission support these proposed changes, then staff would present the related amendments to the Policy and Procedure Manual to the Commission at the May 19 hearing, when it reviews and adopts the final budget.

At this time the County has not yet provided any proposed changes to its Exempt Compensation Plan to LAFCO. Staff will review such changes when presented and discuss them with the Administrative Committee if warranted.

FY 2021/22 Highlights

Attachment #2 to this report includes a detail of each account to include: account description, charge measurement, identification of increase or decrease, and total cost. The content below contains highlights for FY 2021/22 and forecasts for two years.

Earnable Compensation (Account 1010) totals \$437,906 and includes:

- 2.0% COLA for all employees;
- One-step increase for three eligible employees;
- 2.0% longevity pay for those employees with 15 years of service - three employees;
- Leave cashouts as permitted by policy (Note: leave cashouts reduce the compensated absences liability);

The retirement rates, with increases, approved by the retirement board for FY 20/21 are:

- Tier 1. Increases 11.63% from 35.76% to 39.92%
- Tier 2. Increases 5.26% from 33.24% to 34.99%

The rates from the past three years are shown below.

Tier 1	2019	2020	2021	2022
Employer Rate	37.03	38.02	35.76	39.92
Increase over prior year (% points)	2.50	0.99	-2.26	4.16
Increase over prior year (%)	7.24%	2.67%	-5.94%	11.63%
Tier 2	2019	2020	2021	2022
Employer Rate	34.30	35.61	33.24	34.99
Increase over prior year (% points)	4.21	1.31	-2.37	1.75
Increase over prior year (%)	13.99%	3.82%	-6.66%	5.26%

FY 2022/23 and 2023/24 Forecasts

The forecast for FY 2022/23 (Year 2 of this budget) includes retention of the staffing model recommended in this budget, with a COLA to salaries. In addition, a LAFCO employee is scheduled to retire around March 2023. For budget purposes, the position is planned with a six-month overlap of the current and new employee for training purposes. However, it is the position of the Executive Officer that when an employee separates, the office staffing model, duties, and compensation would be evaluated.

The forecast for FY 2023/24 (Year 3) calculates a COLA for salaries for four employees.

SERVICES AND SUPPLIES

Generally, services and supplies include payments for: proposal processing, Commission-approved programs and projects, and costs associated with running a government agency. Attachment #3 to this report includes a detail of each account to include: account description, charge measurement, identification of increase or decrease, and total cost. The remainder of this section contains highlights for FY 2021/22.

Proposal Processing

The current year has seen a precipitous drop in application submission due to the pandemic, reducing funded activity level. However, staff has been coordinating with agencies regarding many likely and potential applications for the next fiscal year.

The Commission continues to outsource its environmental processing through its contract with Tom Dodson and Associates.

Programs and Projects

Service Reviews

LAFCOs are required by Govt. Code 56430 to conduct reviews of municipal services. This LAFCO chose to conduct its first round by community and its second round by service, countywide. The second round service reviews have been Water (2017), Wastewater (2018), Fire/Emergency Medical Services/Dispatch (2020), and Public Cemetery Districts (2021). In addition, the Commission conducted focused service reviews for Water Conservation in the Valley Region (2015); Morongo Valley CSD (2016); and Daggett, Newberry, and Yermo CSDs (2016).

Per the Commission service review schedule approved July 2020, the subsequent order of reviews are park and recreation (estimated for presentation November 2021), solid waste, street lighting, healthcare districts, and roads.

Sustainable Agricultural Lands Conservation (SALC) Program and Grant

At its December 2020 meeting, the Department of Conservation awarded the Sustainable Agricultural Lands Conservation (SALC) grant to LAFCO. The program funds strategies related to establishing and implementing goals, policies, and objectives to support the economic viability of the local agricultural sector. It also supports planning processes to identify and designate priority lands for conservation and development. Tasks include mapping, stakeholder meetings, policy writing, and grant administration.

The Proposed Budget does not include expenditures or revenues associated with this project or the grant. Due to the classification of grant funding, which LAFCO's are not familiar, consultation needs to occur with the County Auditor and LAFCO's independent auditor to arrive at the appropriate accounting mechanisms. Staff will return at a subsequent hearing for the appropriate budget adjustments.

CALAFCO Communication Plan

CALAFCO created messaging tools for the CALAFCO community. For those commissioners who attended the CALAFCO webinar in December, you may recall this communication tool unveiled at the end of the webinar. CALAFCO's message is:

"As our communities grapple with economic fallout from the COVID-19 pandemic, they will be looking to LAFCOs to help guide the recovery process (as will the Legislature). It is imperative that our organizations engage and display our capacity for leadership, decision making, and the ability to fairly balance competing interests – even in the face of a series of crises such as the ones we are experiencing."

The CALAFCO Executive Director requests that these tools be shared with the Commission. As you can see, the messages are consistent yet contain slight variations depending upon the audience.

1. The first messaging tool that CALAFCO created is a customized message for this LAFCO with our logo and contact information. See Attachment #5 to this staff report.
2. The second messaging tool is for use specifically with the Legislature. CALAFCO will be using this in Sacramento, and when commissioners meet with their legislators and/or their staff locally, CALAFCO asks that we use this special messaging tool with them. See Attachment #6 to this staff report.

Staff included these items as a part of the Work Plan for the year. Should the Commission desire not to use either of these communication tools, then staff would adjust the Work Plan accordingly.

Website

The LAFCO website has evolved from a tool to a mandatory and essential program. State-mandated open government requirements require ever increasing specific content with continual updates. Further, this agency incorporates best practices regarding transparency. For many years, the website has been the first stop for information; phone calls to the office continue to decline and are a scrap amount from a decade ago. Shortly, the Commission website will be the place where agencies will visit to learn and keep informed regarding the SALC program (see SALC above).

However, the platform of the LAFCO website no longer receives support updates and will not receive security updates in a year or two. In addition, portions of the programs such as the Fiscal Indicators are incompatible with the current website, and portions of the program will be incompatible with the new website (see Fiscal Indicators below). Therefore, this budget allocates \$15,000 towards a new website platform.

Disadvantaged Unincorporated Communities

The identification of disadvantaged unincorporated communities is statutory mandated for consideration of annexations and service reviews. Commission policy states that the data shall be developed and mapped every five years in years ending in 1 and 6 and posted on the LAFCO website. Due to the pandemic, Census has pushed the release of the data to the fall. Once Census releases the data, staff will complete this project by the end of 2021 and place the mapping product on an agenda for Commission approval.

Fiscal Indicators

In 2014 LAFCO advanced the use of audits and implemented an online Financial Indicators program. The purpose of the program is to provide more robust information on the financial condition of local agencies within San Bernardino County which will allow for better understanding of where an agency has been. Additionally, LAFCO uses the information in conducting state-mandated service reviews as a means to make the required determination of the financial ability of an agency to provide services.

The program is currently in hiatus. Portions of the program are incompatible with the current website, and portions of the program will be incompatible with the new website. Staff and the Admin Committee propose to revamp the program. In addition to a current and viable platform, improvements would include new design, mobile access, and replacement of certain indicators with more representative indicators. Although there are nominal costs related to services and supplies, costs for this program mainly relate to LAFCO staff time.

Governance Training

Due to the pandemic, the Governance Training Program is on hiatus. When restrictions on gatherings lift, staff will conduct two courses: LAFCO 101 and New Board Member Governance training. The total cost would be roughly \$5,000.

Agency Costs

In addition to processing proposals and conducting programs and projects, there are costs associated with running a government agency. The Commission continues to outsource its conduct of the annual audit with an independent auditor, Davis Farr LLP, processing of its accounting operations through the County Auditor's office, and the maintenance of computer systems through the County's ISD.

Highlights for the year include:

- Account 2115 Software. The platform of the LAFCO website no longer receives support updates and will not receive security updates in a year or two. \$15,000 is allocated for this project.
- Account 2125 Inventoriable Equipment. No inventoriable equipment is budgeted for purchase this or next fiscal year.

- Account 2245 Other Insurance. Liability insurance is purchased through the Special District Risk Management Authority (SDRMA). The insurance quote for the year is \$14,340.
- Account 2405 Auditing. On this month's agenda is a contract for a new term of independent audits to be conducted by Davis Farr LLP. A joint RFP was issued in 2020 with the other Southern California LAFCOs. See Item 5 on this month's agenda for review of new contract. The new contract cost for the 2020-21 audit is \$8,300.
- Account 2445 Other Professional Services. In this account is an allocation of \$36,000 for Robert Aldrich's supplemental staffing for the service reviews.
- Account 2905 Rent. The lease for use of the Norton Regional Event Center expires June 2021. In May staff will present a contract extension through June 2023 for review and approval.
- Ongoing costs associated with being at the Train Depot are as follows:

<u>Account 2905 Rent.</u> Office Lease	\$ 38,947
<u>Account 2905 Rent.</u> Common Area Maintenance	\$ 23,087
<u>Account 2905 Rent.</u> Amortization (matures June 2022)	\$ 33,793
<u>Account 2090 Building Expense.</u> HVAC & janitorial	\$ 7,260
<u>Account 2180 Electricity.</u>	\$ 6,000
Total	\$109,087

During the Commission's consideration of the FY 20/21 budget, staff identified that it had requested the San Bernardino County Transportation Authority (SBCTA) to reevaluate LAFCO's Common Area Maintenance (CAM) charges outlined in its lease agreement since most of the CAM charges pertain to cost associated with the Depot's main lobby area. As a result, SBCTA determined that the request had merit and that certain services provided to the common areas of the Depot provided no direct benefit to LAFCO. An amendment to the Lease Agreement was approved by the Commission in July 2020 and subsequently approved and executed by SBCTA in August 2020. This results in a potential 60% reduction in CAM costs.

In FY 2022-23, the Commission will no longer have to make amortization payments to SBCTA of roughly \$34,000 related to the office retrofit.

TRUST TRANSFERS

New Process

This is a new category of accounts that will isolate the additional payments made to SBCERA, the retirement association. The reason for the payment processing under Trust Transfer rather than Expenditures is that LAFCO and SCBERA both are trust agencies of the County Treasury, thus a trust transfer.

Further, the annual process has been to fund the Net Pension Liability Reserve, transfer the funds to the trust transfer account, request a budget adjustment, then issue payment to SBCERA in the same fiscal year. The County Auditor and SBCERA did not have a process for this activity last year. Instead of continuing with this multi-step process, staff proposes to skip the reserve allocation and simply fund the payment as a part of the budget. On page 12 and Attachment #2 are details for Reserve increases, which no longer shows an allocation to the Net Pension Liability Reserve.

Review of Net Pension Liability

For the past two years, the Commission had made additional payments to SBCERA as a credit towards LAFCO's net pension liability (NPL). These payments will amortize as a percent of pay over twenty years, and it will credit with earnings based on the Plan's market value investment return every year.

The figure below shows the annual activity since GASB 68 was pronounced, FY 2012/13.

Budget Year	LAFCO Payment			Net Pension Liability			
	Payment date	The Payment will:		Begin NPL	Actuary Increase	LAFCO Payment	End NPL
		Reduce NPL for audit year:	Reflect in the employer rates for:				
2012/13							581,103
2013/14				581,103	3,628		584,731
2014/15				584,731	96,716		681,447
2015/16				681,447	87,726		769,173
2016/17				769,173	95,787		864,960
2017/18				864,960	20,287		885,247
2018/19	June 2019	FY 19/20	FY 20/21	885,247	273,317	(184,963)	973,601
2019/20	June 2020	FY 20/21	FY 21/22	973,601	TBD	(42,500)	
2020/21	June 2021 (scheduled)	FY 21/22	FY 22/23		TBD	(43,852)	
2021/22	June 2022 (21/22 budget)	FY 22/23	FY 23/24		TBD	(50,163)	

The \$183,963 payment made in June 2019 was: (1) used to credit the NPL in the FY 19/20 audit, and (2) reflected in the employer contribution rates for FY 20/21. This contribution resulted in LAFCO being the only SBCERA member to experience a

reduction in the contribution rate for FY 20/21. The subsequent payments of \$42,500 (June 2020) and \$43,852 (scheduled for June 2021) will be used to further credit the NPL and reflect in future employer contribution rates. For FY 21/22, the budget allocates \$50,163 to keep with the amortization schedule.

Staff Recommendation for Future Payments

Even with additional payments, the NPL increases each year. LAFCO's contribution to its NPL Reserve has nearly doubled from \$26,318 in 2015/16 to \$50,163 in 21/22. If this increasing trend continues, future contributions would be unsustainable. Staff recommends that in a future hearing, this matter be discussed openly and in detail to determine a sustainable mechanism to continue additional payments to the NPL.

RESERVES

At this time, the Commission has three Committed Reserves and two Assigned Reserves.

Committed Reserves (constrained to specific purposes)

Net Pension Liability – See the previous section on Trust Transfers.

Compensated Absences – The budget adds \$9,452 to this account to fund the increase in compensated absences. The increase is due to natural increases.

Salaries for Extra Pay Period - Since the County pay schedule is every two weeks, rather than twice a month, the result is an additional pay period every ten years. This reserve funds the next occurrence, which would take place in 2031/32. The annual budgets would include a 1/10th contribution, beginning with this budget (\$3,000).

Assigned Reserves (intended for specific purposes)

Contingency – The Contingency Reserve is not defined in the Policy and Procedure Manual. Instead, it has been the Commission's practice to fund a Contingency Reserve for unanticipated expenses. The budget includes \$6,400 towards this reserve.

General – The General Reserve is for any purpose. The budget includes \$25,000 towards this reserve.

Summary

Below are the estimated balances on June 30, 2021 and funding summary of the reserve accounts.

Reserve Account	June 30, 2021 (est.)	FY 2021-22	
		increase	Ending
Net Pension Liability	0 (43,852 payment scheduled for June 2020) <i>see Trust Transfers</i>	--	--
Compensated Absences	142,643	9,452	152,095
Salary for Extra Pay Period	--	3,000	3,000
Contingency	18,600	6,400	25,000
General	150,000	25,000	175,000

REVENUES

Attachment #4 to this report includes a detail of each account to include: account description, charge measurement, identification of increase or decrease, and total cost. The remainder of this section contains highlights for FY 2020/21.

Proposal Activity (Accounts 8545-9800)

Fees, charges, and deposits ordinarily involve the appropriate LAFCO filing fee and deposits for the recovery of the outside costs, for such items as LAFCO Legal Counsel, environmental review, Registrar of Voters, individual notification, etc.

The current year has seen a precipitous drop in application submission, reducing funded activity level. However, staff has been coordinating with agencies regarding many likely and potential applications. The budget includes these revenue receipts.

Apportionment (Account 8842)

Government Code Section 56381 requires that the net costs for LAFCO be apportioned equally to those seated on the Commission: the County, the 24 Cities, and the 51 Independent Special Districts within the county. The proposed apportionment to each group is \$363,499. This results in a decrease of \$10,000 (2.7% decrease) for each group, returning it to FY 2019-20 level

Further, due to the alternative funding formula for independent special districts, the small districts would benefit most from this decrease.

The County Auditor will be required to apportion this amount on July 1, 2020 pursuant to the requirements of law and Commission policies. Staff will circulate the apportionment schedule to the agencies when received by the County Auditor.

Interest and Other Revenues

LAFCO participates in the County's interest pool and is apportioned interest receipts quarterly. Interest rates have been steadily increasing but do not result in significant revenue.

Cost recovery for proposals and service contracts is not addressed in the budget due to its speculative nature.

Attachments:

1. [General Ledger](#)
2. [Salaries and Benefits Detail](#)
3. [Services and Supplies Detail](#)
4. [Revenues Detail](#)
5. [CALAFCO Communication Tool for San Bernardino LAFCO](#)
6. [CALAFCO Communication Tool for Legislature](#)

Attachment #1

Budget Spreadsheets

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	ACTUAL YEAR-END FY 19-20	ESTIMATE YEAR-END FY 20-21	PROPOSED FY 21-22 Year 1	FORECAST FY 22-23 Year 2	FORECAST FY 23-24 Year 3
					New Website	No Amortization	
						Retirement	
	SALARIES AND BENEFITS						
1010	Earnable Compensation	503,704	481,359	436,888	437,906	468,874	439,633
1030	Auto and Cell Phone Allowances	19,269	9,735	9,450	9,275	9,100	9,100
1035	Overtime			3			
1045	Termination Payment			1,839			
1110	General Member Retirement	173,050	184,013	155,101	175,386	176,589	175,717
1130	Survivors Benefits	179	176	140	143	158	140
1135	Retirement Subsidy (no longer active)	1,995					
1200	Medical Premium Subsidy	53,970	56,704	45,226	48,373	57,717	53,323
1205	Long-Term Disability	1,068	1,110	959	988	1,006	1,000
1207	Vision Care Insurance	782	779	612	613	676	601
1215	Dental Insurance Subsidy	1,230	1,240	986	1,003	1,107	984
1222	Short-Term Disability	4,990	5,642	4,860	4,873	5,171	4,929
1225	Medicare	6,277	5,805	5,119	5,074	5,584	6,092
1235	Workers' Compensation	3,019		4,334	-	4,568	4,540
1240	Life Insurance & Medical Trust Fund	9,251	9,714	9,597	14,182	13,089	13,456
1305	Medical Reimbursement Plan	3,900	3,900	4,564	5,212	5,814	5,132
1310	Annuitant Employee Medical (no longer active)	3,774					
1314	457/401a Contribution	2,695	2,850	2,846	3,009	3,049	3,054
1315	401k Contribution	35,173	37,060	31,279	31,082	30,381	31,318
	TOTAL SALARIES & BENEFITS	\$ 824,325	\$ 800,085	\$ 713,803	\$ 737,120	\$ 782,882	\$ 749,019
	Staffing (Full time equivalent units)	5.25	5.0	4.5	4.0	4.5	4.0
	SERVICES AND SUPPLIES						
2031	Payroll System Services (County IT)		794	718	707	721	736
2032	Virtual Private Network (County IT)				158	162	165
2033	Network Labor Services (County IT)			1,006	-	-	-
2037	Dial Tone (County IT)	3,593	3,434	2,961	2,381	2,428	2,477
2041	Data Line	8,644	7,592	9,343	8,400	8,568	8,739

Attachment #1

Budget Spreadsheets

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	ACTUAL YEAR-END FY 19-20	ESTIMATE YEAR-END FY 20-21	PROPOSED FY 21-22 Year 1	FORECAST FY 22-23 Year 2	FORECAST FY 23-24 Year 3
					New Website	No Amortization	
						Retirement	
2043	Electronic Equipment Maintenance (County IT)	92	-	-	-	-	-
2075	Membership Dues	10,303	11,822	17,160	12,242	12,487	12,737
2076	Tuition Reimbursement	-	999	417	2,000	2,040	2,081
2080	Publications	2,723	2,758	3,626	3,180	3,243	3,308
2085	Legal Notices	21,188	12,361	14,557	18,000	18,360	18,727
2090	Building Expense	6,466	7,672	7,382	7,260	7,405	7,553
2115	Software	3,054	-	1,457	20,372	5,479	5,589
2135	Utilities		2,557	-	-	-	-
2180	Electricity	3,576	5,206	5,632	6,000	6,120	6,242
2245	Other Insurance	14,285	12,683	19,272	18,340	18,707	19,081
2305	General Office Expense	4,918	3,117	5,132	2,564	2,615	2,668
2308	Credit Card Clearing Account	(1,276)	677	(1,302)	-	-	-
2310	Postage - Direct Charge	7,121	11,150	5,620	5,316	5,422	5,531
2315	Records Storage	808	1,134	890	772	788	804
2322	Enterprise Printing (County IT)			46	86	87	89
2323	Reproduction Services	162	1,074	438	500	510	520
2335	Temporary Services	699	-	1,611	5,400	5,508	5,618
2400	Legal Counsel	94,182	39,798	30,083	34,200	34,884	35,582
2405	Auditing	8,000	21,365	10,362	11,500	11,730	11,965
2410	IT Infrastructure (County IT)	12,851	11,252	9,158	586	598	610
2415	Countywide Cost Allocation Program (COWCAP)	10,109	13,328	5,351	14,049	14,330	14,617
2416	Enterprise Printing (County IT)		31	13	31	32	32
2417	Enterprise Content Management (County IT)			1,099	1,884	1,922	1,960
2418	Data Storage Services (County IT)		8,457	5,821	4,836	4,933	5,031
2420	Wireless Device Access (County IT)	300	286	225	211	215	220
2421	Desktop Support Services (County IT)	17,417	15,171	11,899	9,623	9,815	10,012
2424	Environmental Consultant	10,605	20,796	13,878	10,600	10,812	11,028
2444	Security Services	480	691	601	492	502	512
2445	Other Professional Services	96,029	63,255	32,121	78,068	78,973	80,583

Attachment #1

Budget Spreadsheets

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	ACTUAL YEAR-END FY 19-20	ESTIMATE YEAR-END FY 20-21	PROPOSED FY 21-22 Year 1	FORECAST FY 22-23 Year 2	FORECAST FY 23-24 Year 3
					New Website	No Amortization	
						Retirement	
2449	Outside Legal (Litigation & Special Counsel)	3,216	7,453	275	-	-	-
2460	Aerial Imagery (County IT)	13,518	3,000	9,875	14,500	14,790	15,086
2895	Rent/Lease Equipment (copier)	5,289	5,776	3,087	5,100	5,202	5,306
2905	Office/Hearing Chamber Rental	99,052	97,951	112,686	98,258	66,563	67,895
2940	Private Mileage	4,952	3,427	1,930	2,192	2,236	2,281
2941	Conference/Training	5,231	5,305	2,338	4,710	4,804	4,900
2942	Hotel	5,886	5,926	3,171	6,710	6,844	6,981
2943	Meals	456	744	458	1,000	1,020	1,040
2945	Air Travel	1,011	1,592	333	400	408	416
2946	Other Travel	122	773	125	150	153	156
5012	Office Supplies via County Contract	283	2,732	5,518	3,600	3,672	3,745
TOTAL SERVICES & SUPPLIES		\$ 475,345	\$ 414,139	\$ 356,372	\$ 416,379	\$ 375,089	\$ 382,622
TOTAL EXPENDITURES		\$ 1,299,670	\$ 1,214,223	\$ 1,070,175	\$ 1,153,499	\$ 1,157,971	\$ 1,131,641
TRUST TRANSFERS							
9990	SBCERA Additional Payment	184,963	42,500	43,852	50,163	50,163	50,163
TOTAL TRUST TRANSFERS		\$ 184,963	\$ 42,500	\$ 43,852	\$ 50,163	\$ 50,163	\$ 50,163
TOTAL APPROPRIATION		\$ 1,484,633	\$ 1,256,723	\$ 1,114,027	\$ 1,203,662	\$ 1,208,134	\$ 1,181,804

Attachment #1

Budget Spreadsheets

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	ACTUAL YEAR-END FY 19-20	ESTIMATE YEAR-END FY 20-21	PROPOSED FY 21-22 Year 1	FORECAST FY 22-23 Year 2	FORECAST FY 23-24 Year 3
					New Website	No Amortization	
						Retirement	
	RESERVES (Increases)						
6000	Contingency (Assigned)	34,852			6,400	5,000	5,000
6010	Net Pension Liability (Committed) <i>see Trust Transfers</i>						
6025	General (Assigned)	64,392			25,000	25,000	25,000
6030	Compensated Absences (Committed)	7,669	12,769	32,477	9,452	15,000	15,000
6035	Salary for Extra Pay Period (Committed)				3,000	3,000	3,000
TOTAL RESERVES (Increases)		\$ 106,913	\$ 12,769	\$ 32,477	\$ 43,852	\$ 48,000	\$ 48,000

Attachment #1

Budget Spreadsheets

ACCT #	ACCOUNT NAME	ACTUAL YEAR-END FY 18-19	ACTUAL YEAR-END FY 19-20	ESTIMATE YEAR-END FY 20-21	PROPOSED FY 21-22 Year 1	FORECAST FY 22-23 Year 2	FORECAST FY 23-24 Year 3
	Use of Money:						
8500	Interest	16,191	16,325	8,000	11,000	13,000	15,000
	Mandatory Contribution from Governments:						
8842	Apportionment	1,105,497	1,090,497	1,120,497	1,090,000	1,120,000	1,090,000
					-2.7%	2.8%	0.0%
	Fees and Deposits (Current Services):						
9545	Individual Notice Deposit	8,916	7,429	3,000	9,000	9,000	9,000
9555	Legal Services Deposit	70,067	18,404	10,311	15,000	15,000	15,000
9595	Protest Hearing Deposit	3,000	-	6,340	4,500	4,500	4,500
9655	Digital Mapping Fee	825	1,605	2,075	595	595	595
9660	Environmental Deposits	10,619	10,245	2,700	8,400	8,400	8,400
9800	LAFCO Fee	69,389	93,422	35,495	54,019	55,640	57,309
	Total Fees and Deposits	162,816	131,105	59,921	91,514	93,135	94,804
	OTHER REVENUES						
9560	Indemnification Recovery						
9910	Prior Year Activity (refunds, collections)	(373)					
9930	Miscellaneous Revenue	265	580	2,658			
9970	Carryover of Fund Balance			1,123	55,000	30,000	30,000
9973	Stale-dated Checks	1,000	38	60			
	TOTAL OTHER REVENUES	892	618	3,841	55,000	30,000	30,000
	TOTAL REVENUES	\$ 1,285,397	\$ 1,238,544	\$ 1,192,259	\$ 1,247,514	\$ 1,256,135	\$ 1,229,804

Attachment #2

Salaries and Benefits Detail

Account		Charge Measurement	Rate Inc/Dec	Total
1010	Earnable Compensation	Per Salary Schedule	Increasing 1.2%	\$ 437,906
	<i>Includes step increases (3 employees), 2% longevity pay for those with 15 yrs (3 employees), & leave cashouts, 3% COLA (all).</i>			
1030	Auto & Phone Allowances	Auto Allowance (\$300 per pay period)	--	\$ 9,275
		Mobile Phone Allowance (\$50 per pay period)	--	
	<i>Executive Officer auto and phone allowances, per Benefit Plan.</i>			
1110	General Member Retirement	Tier 1: Increase from 35.76% to 39.92%	Increasing 11.6%	\$ 175,386
		Tier 2: Increase from 33.24% to 34.99%	Increasing 5.3%	
	<i>Contributions to retirement plan. Per SBCERA and Retirement Board adopted rates.</i>			
1130	Survivors Benefits	\$1.35 per pay period per employee	--	\$ 143
	<i>The survivor benefit is provided by SBCERA in lieu of Social Security's death benefits since members do not participate in Social Security. General members pay a contribution each pay period to fund this benefit.</i>			
1200	Medical Premium Subsidy	\$559.94 per period (employee +2): 2 employees	--	\$ 48,373
		\$393.03 per period (employee +1): 2 employees	--	
		\$253.33 per period (employee +0): 1 employee	--	
	<i>A subsidy is provided to offset employee medical premiums. Increase proposed to match County's increase to its Exempt Plan from Jan 2000.</i>			
1205	Long-Term Disability	0.24% of Base Pay	--	\$ 988
	<i>Long-term disability insurance.</i>			
1207	Vision Insurance	\$5.78 per employee per period	--	\$ 613
	<i>Vision insurance.</i>			
1215	Dental Insurance Subsidy	\$9.46 per employee per period	--	\$ 1,003
	<i>A subsidy is provided to offset employee dental premiums.</i>			
1222	Short-Term Disability	Short-term disability insurance (1.12% of Base Pay)	--	\$ 4,873
		FMLA program charge (\$1.57 per employee per period)	--	
	<i>Short-term disability insurance & admin cost for family medical leave.</i>			
1225	Medicare	1.412% of Earnable Compensation	--	\$ 5,074
	<i>Contribution to Social Security Medicare for those entering after 1985 (4 employees).</i>			
1235	Workers' Compensation	1.07% of Base Pay	--	\$ -
	<i>Purchased thorough Special Districts Management Authority (SDRMA), a joint powers authority.</i>			
1240	Life Insurance & Med Trust Fund	Life Insurance (\$1.69 per employee per period)	--	\$ 14,182
		Variable Life Insurance (\$623 for 2 employees)	Decreasing 55%	
		Retirement Medical Trust Fund (\$13,503 for 3 employees)	Increasing 15.1%	
	(1) Life Insurance is a benefit for all employees.			
	(2) Employees may purchase Variable Life Insurance, which has an employer contribution (2 employees).			

Attachment #2

Salaries and Benefits Detail

Account		Charge Measurement	Rate Inc/Dec	Total
	<i>(3) LAFCO contributes to a Retirement Medical Trust Fund for employees with over 5 years of service (3 employees). Increase proposed to match County's increase to its Exempt Plan from Jan 2020.</i>			
1305	Medical Reimbursement Plan	Medical Reimbursement (up to \$40 per employee/period)	--	\$ 5,212
		Healthy Lifestyles (gym, \$324 per employee - 3)	--	
1314	457/401a Contribution	1% match for Executive Officer, 0.5% for all others	--	\$ 3,009
	<i>LAFCO matches employee contributions to the 457 savings plan of the County up to 0.5% for Groups B and C, and 1% for Group A (Executive Officer).</i>			
1315	401k Contribution	8% match for Group A & B, 6% match for Group C	--	\$ 31,082
	<i>LAFCO matches employee contributions to the 401(k) savings plan of the County up to 8% for Groups A and B, and up to 4% for Group C (Analyst-GIS).</i>			
TOTAL SALARIES AND BENEFITS				\$ 737,120

Attachment #3

Services and Supplies Detail

Account		Charge Measurement	Increase/Decrease	Total
2031	Payroll System Services (County IT) <i>Maintenance, support, and enhancements for County's payroll system and infrastructure.</i>	\$6.80 per pay period (26 periods), per employee (4)	--	\$ 707.20
2032	Virtual Private Network (County IT) <i>Use of the County's VPN for remote data access.</i>	\$6.60 per month per user (2 users)	--	\$ 158.40
2033	Network Labor Services (County IT) <i>County IT labor for the network.</i>	No activity	--	\$ -
2037	Dial Tone (County IT) <i>Phone line. Includes support services.</i>	\$28.34 per line (7) per month	--	\$ 2,380.56
2041	Data Line <i>Fiber optic data line from Verizon.</i>	\$700 per month	--	\$ 8,400.00
2043	Electronic Equipment Maintenance (County IT) <i>County ISD services for data line installation.</i>	No activity		\$ -
2075	Membership Dues <i>Membership in Professional Associations.</i>	CSDA: \$1,482 CALAFCO: \$10,760	-- Increasing 1%	\$ 12,242.00
2076	Tuition Reimbursement <i>Pursuant to the LAFCO Benefits Plan, employees can be reimbursed for up to \$1,000 for approved tuition, course/seminar or degree related expenses, and membership dues in professional organizations.</i>	Two employees at max reimbursement	No change	\$ 2,000.00
2080	Publications <i>Purchase or subscription to professional publications related to LAFCO study areas.</i>	CA Land Use & Planning Law: \$101.00 CA Annotated Code Books: \$250/month Longtin's CA Land Use: \$78.60	-- Increasing 7% --	\$ 3,179.60
2085	Legal Notices <i>Legal and policy requirement for notices: hearing, protest hearing, public member vacancy, etc... An eighth-page display ad in general newspapers is required for the countywide service reviews and when advertisement is authorized in-lieu of individual landowner and/or registered voter notice.</i>	General paper: \$1,000 per hearing (6 hearings) Local Paper: \$1,000 per hearing (6 hearings) Vacancy notices: \$1,500 each (2 notices) Protest hearing: \$1,000 per hearing (3 hearings)	25% increase 25% increase -- 25% increase	\$ 18,000.00
2090	Building Expense <i>Ongoing maintenance of the staff office.</i>	HVAC: \$345 per quarter Janitorial: \$490 per month	-- --	\$ 7,260.00
2115	Software <i>Purchases, subscriptions, and updates of software and online programs, to include digital archiving software for LAFCO to maintain its records in perpetuity per Government Code Section 56382.</i>	Laserfische archiving: \$1,313.00 annual New website (\$15,000) Adobe license for office, annual, (\$900) Microsoft licenses for office: \$3,089 annual Microsoft license for one laptop, \$70 annual	-- --	\$ 20,372.00
2135	Utilities <i>For miscellaneous utility charges</i>	No activity		\$ -
2180	Electricity <i>LAFCO is responsible for electricity payments while located at the train depot.</i>	\$600 per month	Decreasing 16%	\$ 6,000.00
2245	Other Insurance	Annual Insurance (\$14,340)	--	\$ 18,340.00

Attachment #3

Services and Supplies Detail

Account		Charge Measurement	Increase/Decrease	Total
		Workers' Compensation (\$4,000)		
	<i>Liability insurance (property, general, personal, employment, benefits, auto) errors and omissions, and employee dishonesty coverage. Purchased through the Special District Risk Management Authority (SDRMA).</i>			
2305	General Office Expense	Petty Cash Reimbursement: \$250 per quarter (\$1,000)	--	\$ 2,564.00
		Paper shredding: \$204	--	
		Zoom subscription for remote meetings (\$60 per month)	--	
		Vimeo subscription for digital archive of meetings (\$240/yr)		
		Printer cartridges:\$400	--	
	<i>Niche and random items for the office. See Account 5012 for Office Supplies per contract pricing.</i>			
2308	Credit Card Clearing Account			\$ -
	<i>Clearing account for credit card issued to the Executive Officer. All charges post to this account temporarily with charges then transferred to the appropriate accounts.</i>			
2310	Postage - Direct Charge	Months with hearings (6): \$400 per month	--	\$ 5,316.00
		Months with no hearings (6): \$200 per month	--	
		Mail delivery: \$6.50 per stop (22 per month)	--	
	<i>On avg. USPS rates increasing 10%. County mail handling increasing 18%. LAFCO implementing more digital circulation as cost savings, which reduce costs overall.</i>			
2315	Records Storage	\$64 per month	Decreasing 7%	\$ 772.44
	<i>Off-site retention of records. Gov Code 56382 mandates LAFCO to maintain its records in perpetuity.</i>			
2322	Enterprise Printing (County IT)	\$7.14 per month	--	\$ 85.68
	<i>County printing of payroll documents.</i>			
2323	Reproduction Services	\$500 estimate based on prior year		\$ 500.00
	<i>Printing activity outside of the LAFCO office (County Printing Services, Kinkos, etc.).</i>			
2335	Temporary Services	\$25 per hour, per contract rate	--	\$ 5,400.00
	<i>Use of temporary services for clerical support.</i>			
2400	Legal Counsel			\$ 34,200.00
		Months with hearings (6): \$3,600 per month	Increasing 1.9%	
		Months with no hearings (6): \$1,500 per month	Increasing 1.9%	
	<i>Contract with Best, Best, and Krieger for general and special counsel. Costs related to a proposal are recoverable pursuant to Commission policy. Payments received for cost recovery are deposited into Revenue Account 9555.</i>			
2405	Auditing	SBCERA costs for GASB 67 & 68: \$3,018	--	\$ 11,500.00
		Independent auditor: \$8,300	Increasing 5%	
	<i>Contract with Davis Farr LLP for independent auditing services. SBCERA is required to determine the unfunded liability for its participants and by legislative action can charge for that requirement.</i>			
2410	IT Infrastructure (County IT)	\$117.21 per month per email address (5 addresses)	--	\$ 586.05
	<i>Support of computer/server systems, email, wide area network, internet access, IT security, virus protection, help desk, and data center.</i>			
2415	Countywide Cost Allocation Program (COWCAP)	Per the County COWCAP publication (not yet issued, estimate)	--	\$ 14,049.00
	<i>The County Auditor charges for county-related costs incurred in the prior year.</i>			
2416	Enterprise Printing (County IT)	Per print impression, annual estimate	--	\$ 31.00
	<i>Printing from County's enterprise server related to payroll.</i>			
2417	Enterprise Content Management (County IT)	\$157 per month, based on storage allocation	--	\$ 1,884.00

Attachment #3

Services and Supplies Detail

	Account	Charge Measurement	Increase/Decrease	Total
	<i>High-speed enterprise data storage services, including data backup and recovery.</i>			
2418	Data Storage Services (County IT)	\$403 per month, based on storage allocation	--	\$ 4,836.00
	<i>High-speed general data storage services, including data backup and recovery.</i>			
2420	Wireless Device Access (County IT)	\$17.59 per month, per user (1 user)	--	\$ 211.08
	<i>Phone sync to County email.</i>			
2421	Desktop Support Services (County IT)	\$133.65 per month, per computer (6 computers)	--	\$ 9,622.80
	<i>County tech support & monitoring for computers and applications.</i>			
2424	Environmental Consultant	Consultant work, per contracted rate, 11 proposals	--	\$ 10,600.00
		File with County Clerk, 14 actions, \$50 each	--	
	<i>The Commission contracts with an independent consultant, Tom Dodson and Associates, for the environmental assessment associated with its proposals. Most environmental consultant costs are billable under the Commission's existing fee schedule. Payments received for cost recovery are deposited into Revenue Account 9660.</i>			
2444	Security Services	\$123 per quarter	--	\$ 492.00
	<i>Maintain and monitor the security system.</i>			
2445	Other Professional Services	Surveyor proposal review: \$450 each proposal (14)	--	\$ 78,068.40
		Commissioner stipend: \$200 per hearing (6)	--	
		Commissioner stipend: \$200 per committee mtg (4)		
		ROV: \$100.60 per hour (14)	--	
		Bob Aldrich for staffing: \$75/hr	--	
		County processing of quarterly taxes: \$1,000/quarter	--	
		County work on apportionment: \$6,800	--	
		Video recording of hearings: \$360 per hearing (6)	--	
		Commissioner stipend for SoCal LAFCO: \$200 per mtg. (4)	--	
		Governance Training Program for Local Agencies	--	
	<i>This account is for outside services to assist in processing applications and service reviews as well as conducting Commission hearings. Staffing support from Bob Aldrich will correspond with proposal activity levels. Governance training will include two courses.</i>			
2449	Outside Legal (Litigation & Special Counsel)	Per special counsel rate		\$ -
	<i>Legal services conducted through special contract for either litigation or when a conflict of interest waiver is not granted. For proposals not initiated by the Commission, the applicant agrees to indemnify the Commission against legal costs. Payments received for cost recovery are deposited into Revenue Account 9660.</i>			
2460	Aerial Imagery (County IT)	Aerial Imagery \$1,000 per user (3)	--	\$ 14,500.00
		Street Network Subscription: \$10,500 flat fee	--	
		ArcMap Desktop - GIMS license: \$1,000 per user	--	
	<i>Generation & maintenance of digitized maps & aerial images, access to County's parcel & street layers.</i>			
2895	Rent/Lease Equipment (copier)	\$425 per month	Increasing 6%	\$ 5,100.00
	<i>LAFCO implementing more digital circulation as cost savings.</i>			
2905	Office/Hearing Chamber Rental	Hearing Chambers: \$405 per hearing (6)	--	\$ 98,258.16
		Amortization Payment: \$8,448.33 quarterly	--	
		Office Lease & Common Area Expense: \$15,509 quarterly	Increasing 3%	

Attachment #3

Services and Supplies Detail

Account		Charge Measurement	Increase/Decrease	Total
	<i>Use of Norton Conference Center for hearings, amortizing the renovations of the staff office for 60 monthly payments, and office lease with associated costs for common area expenses such as security, landscaping, lighting, etc.</i>			
2940	Private Mileage	ESRI Conference San Diego, (canceled)	--	\$ 2,192.30
		Employee travel, misc.: \$55	--	
		CALAFCO Conf. Orange County, 6 cars	--	
		CALAFCO Staff Workshop Orange County, (canceled)	--	
		Commissioner So Cal participation, 4 trips: \$220	--	
		Commissioner Hearings (6): \$2,502.50	--	
	<i>Commissioners and staff private auto mileage at the IRS rate, excluding the Executive Officer.</i>			
2941	Conference/Training	CALAFCO Staff Workshop Orange: (canceled)	--	\$ 4,710.00
		CALAFCO Conference Orange \$570 each (7)	--	
	<i>The CALAFCO Staff Workshop will be held in Orange, with 2 staff budgeted.</i>			
	<i>The CALAFCO Conference will be held in Orange, with 5 Commissioners and 2 staff budgeted.</i>			
2942	Hotel	CALAFCO/So Cal participation: \$200 per night (1)	--	\$ 6,710.00
		ESRI Conference San Diego: (canceled)	--	
		CALAFCO Conf. Orange., \$250/night, 7 people, 3 nights	--	
		CALAFCO Staff Workshop Orange County, (canceled)	--	
	<i>Hotel charges for Commissioners and staff on LAFCO business.</i>			
2943	Meals	Staff travel: \$50	--	\$ 1,000.00
		ESRI Conference San Diego: (canceled)	--	
		CALAFCO Conference Orange \$350 for 7 people	--	
		CALAFCO Staff Workshop Orange County, (canceled)	--	
		So Cal participation - Staff: \$50/trip (2)	--	
		So Cal participation - Commissioner: \$50/trip (2)	--	
	<i>Meal charges for Commissioners and staff on LAFCO business. Per diem max \$50/day.</i>			
2945	Air Travel	CALAFCO participation: \$200/trip (2)		\$ 400.00
	<i>Airfare on Southwest Airlines for approved travel to Sacramento.</i>			
2946	Other Travel	CALAFCO participation: \$75/trip (2)		\$ 150.00
	<i>Miscellaneous travel charges such as parking and taxi charges.</i>			
5012	Office Supplies via County Contract	\$300 per month utilizing County's contract.	--	\$ 3,600.00
TOTAL SERVICES AND SUPPLIES				\$ 416,378.67

Attachment #4

Revenues Detail

Account		Charge Measurement	Rate Inc/Dec	Total
8500	Interest	County Interest Pool returns	Variable	\$ 11,000
	<i>LAFCO participates in the County's interest pool and is apportioned interest receipts quarterly.</i>			
8842	Apportionment		Decreasing 2.7%	\$ 1,090,000
	<i>Govt Code §56381 requires that the net costs for LAFCO be apportioned equally to those seated on the Commission: the County, the 24 Cities, and the 51 Independent Special Districts within the County of San Bernardino. The proposed apportionment to the County, Cities, and Independent Special Districts is \$363,499 each. The County Auditor will be required to apportion this amount on July 1, 2021 pursuant to the requirements of law and Commission policies.</i>			
8545	Individual Notice Deposit	\$1,000 deposit	--	\$ 9,000
	<i>This account is for landowner and registered voter notification requirements. This \$1,000 deposit is applied to proposals and development-related service contract less refunds. Should a proposal require individual notice due to the extension of a special tax, then the proponent will be required to submit a deposit for the direct costs to produce and mail the individual notices.</i>			
9555	Legal Services Deposit	\$2,000 for proposals; \$700 for applicable service contracts	--	\$ 15,000
	<i>This account is for deposits for legal services which are calculated at \$2,000 for proposals and \$700 for service contracts requiring a hearing.</i>			
9595	Protest Hearing Deposit	\$1,500 each	--	\$ 4,500
	<i>The account is for deposits related to the processing of the protest hearing which are calculated at \$1,500 each. Should a proposal require individual notice due to the extension of a special tax, then the proponent will be required to submit a deposit for the direct costs to produce and mail the individual notices.</i>			
9655	Digital Mapping Fee	LAFCO Fee Schedule, based on acreage	--	\$ 595
	<i>This account is for receipt of revenue to recover the costs associated with the County's digital maps for sphere or boundary changes, maintenance and updates. The charge is based upon the acreage of each consideration area.</i>			
9660	Environmental Deposit	\$1,000 for proposals; \$750 for applicable service contracts	--	\$ 8,400
	<i>Deposits for environmental review processing are calculated at \$1,000 for proposals and \$750 for service contracts requiring a hearing.</i>			
9800	LAFCO Fee	LAFCO Fee Schedule, based on region and acreage	Increasing w/ CPI	\$ 54,019
	<i>Revenues in this account are based on anticipated activity and conservatively calculated at the median annexation filing fee for the activity identified above.</i>			
9560	Indemnification Recovery		--	\$ -
	<i>This is new account that will segregate legal cost recovery that was previously credited to Account 9555.</i>			
9910	Prior Year Activity		--	\$ -
	<i>This account refunds deposits submitted by applicants less costs incurred for activity which carry over from one year to another.</i>			
9930	Miscellaneous Revenue		--	\$ -
	<i>This account is for revenues received for duplication of CDs, DVDs, paper copies, and other miscellaneous receipts.</i>			
9970	Carryover of Fund Balance		--	\$ 55,000
	<i>Carryover of earned funds and unearned funds (proposals still being processed)</i>			
TOTAL REVENUES				\$ 1,247,514

REVITALIZING OUR COMMUNITIES

LAFCO IS HERE TO HELP

We understand how difficult the COVID-19 pandemic has been on the staff and operations of cities and special districts, and we are looking forward to emerging from this very difficult period in our collective history. LAFCo is here to help guide the recovery process through proven leadership and fair decision-making that acknowledges and balances competing interests. LAFCo uses its regulatory and planning powers to manage growth and development and promote efficient service delivery. LAFCo has the tools and resources that can help your organization through the next steps.

LAFCOS ARE COMMITTED TO:



1. LEADING THE CONVERSATION WITHOUT BIAS

- Facilitating a constructive discussion with local and regional agencies
- Reaching out to local and regional agencies to identify issues and solutions
- Coordinating agency access to information, programs and resources
- Bringing agencies together by building relationships
- Offering unique local solutions to meet local challenges



2. DEVELOPING MORE EFFICIENT SERVICES

- Building on interagency strengths
- Developing options for efficient and effective services in the new normal
- Connecting agencies to each other for service streamlining
- Giving great weight to proposals that promote improved service delivery to underserved communities while achieving orderly growth patterns



3. PARTNERING TO REBUILD LOCAL ECONOMY IN A BALANCED WAY

- Considering the impacts of LAFCo decisions
- Facilitating economic opportunities based on local circumstances
- Balancing economic growth and conservation of open space and agricultural lands



4. TAKING CRISIS ACTIONS TOGETHER WITH STRESSED AGENCIES

- Helping agencies look at key health indicators (i.e. fiscal, governance)
- Working with agencies to identify internal solutions
- Exploring alternative service delivery options

WE OFFER:

- ✓ Email lists and contacts
- ✓ Connections to other agencies
- ✓ Local stakeholder access
- ✓ Professional affiliations
- ✓ SOI/MSRs/Special Studies
- ✓ Key agency health indicators
- ✓ LAFCo actions: Annexations, activation powers, reorganizations, applications, etc.



REVITALIZING OUR COMMUNITIES

LAFCOS CAN HELP

As communities across California begin to realize the economic fallout from the COVID-19 pandemic, LAFCos will play an important role in guiding the recovery process. It has become clear that the impact on cities and special districts will be significant. Some may not survive. California's LAFCos are ready to employ the bold governance for which we are known to manage growth and development and promote efficient service delivery. LAFCos have numerous tools and resources available to assist the nearly 500 cities and almost 3,400 special districts across the state.

■ HERE'S HOW LAFCOS CAN HELP CALIFORNIA'S RECOVERY:



1. LEAD WITHOUT BIAS

- Facilitate a constructive discussion with local and regional agencies
- Reach out to local and regional agencies to identify issues and solutions
- Coordinate agency access to information, programs and resources
- Bring agencies together by building relationships
- Offer unique local solutions to meet local challenges



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LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 10, 2021 
FROM: MICHAEL TUERPE, Senior Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM 13: Update on Sustainability of the City of Adelanto, related to
LAFCO 3232 - Sphere of Influence Amendment for the City of Adelanto

RECOMMENDATION:

Staff recommends that the Commission:

1. Receive and file this report.
2. Cease further updates for the City of Adelanto, unless otherwise directed by the Commission.

BACKGROUND:

As an outgrowth from LAFCO's 2017 Countywide Service Review for Water (LAFCO 3187) and its 2018 Countywide Service Review for Wastewater (LAFCO 3190), the Commission initiated a sphere of influence amendment for the City of Adelanto ("City") to determine the appropriate sphere of influence for the City.

At its April 2019 hearing, the Commission reduced the sphere for the City of Adelanto by approximately 8.4 square miles, and directed staff to return with periodic updates on the City's sustainability. The updates to the Commission were at its January 2020, April 2020, September 2020, and January 2021 meetings. The remaining outstanding issue related to the updates is for the City to be current with its audits.

MARCH 2021 UPDATE:

The City has completed the FY 2018/19 audit. As for the FY 2019/20 audit, auditing guidelines identify that an audit does not have to be completed until the following June 30, in this case the FY 2019/20 audit does not have to be completed until June 30, 2021. Nonetheless, the City provided an update via letter stating that work has begun on the FY 2019/20 audit. It is anticipated that the City will complete said audit by June 30. Therefore, staff recommends that the Commission cease further updates for the City. However, should staff or the Commission notice that the City is behind in its audits, this matter can return to the Commission.

SM/MT

[Attachment](#)

February 25, 2021

City Council
City of Adelanto
Adelanto, CA

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Adelanto, California (the “City”) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, 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 July 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies related to Statement of Governmental Accounting Standards (GASB Statement) No. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the 2019 fiscal year. Accordingly, the long-term liabilities note was modified with the new requirements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management’s estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the Successor Agency loans receivable accreted interest is based on the interest rate of the loans, debt service payments and outstanding balances. We evaluated the key factors and assumptions used to develop the Successor Agency loans receivable accreted interest in determining that is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of capital assets depreciation is based on historical estimates of each capitalized item’s useful life. We evaluated the key factors and assumptions used to develop the capital assets depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability (asset) and related pension deferred outflows and inflows of resources are based on an actuarial valuation and pension contributions made during the year. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related pension deferred outflows and inflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of net other postemployment benefits (OPEB) liability and related OPEB deferred outflows and inflows of resources are based on an actuarial valuation and OPEB contributions made during the year. We evaluated the key factors and assumptions used to develop the net OPEB liability and related deferred inflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Successor Agency's tax increment loans with the County of San Bernardino is based on the loan agreements and the estimated amounts outstanding calculated by the County. However, these loans and their terms are currently in litigation with the County. We evaluated the key factors and assumptions used to develop the tax increment loans with the County of San Bernardino outstanding amounts in determining that it is reasonable in relation to the financial statements as a whole.

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

The disclosure of the fair value of investments in Notes 3 and 4 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of the Successor Agency loans receivable accreted interest in Notes 6 and 15 to the financial statements is based on the interest rate of the loans, debt service payments and outstanding balances which could differ from actual amounts.

The disclosure of capital assets in Note 7 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the employees' retirement plan, net pension liability (asset) and related pension deferred outflows and inflows of resources in Note 11 to the financial statements represents management's estimate based on an actuarial valuation and pension contributions made during the year. Actual results could differ depending on the key factors and assumptions used for the actuarial valuation.

The disclosure of other postemployment benefits and the net OPEB liability and related OPEB deferred outflows and inflows of resources in Note 12 to the financial statements represents management's estimate based on an actuarial valuation and OPEB contributions made during the year. Actual results could differ depending on the key factors and assumptions used for the actuarial valuation.

The disclosure of the Successor Agency's tax increment loans with the County of San Bernardino in Note 15 to the financial statements represents management's estimate based on the loan agreements and the County's estimated amounts outstanding. Due to the current litigation on these loans, these amounts could be adjusted depending on the outcome of the litigation.

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. However, the audit was delayed and completed after a year and several months from the June 30, 2019 fiscal year end. This was due to staff turnover and a delay in completing the financial close and reporting process.

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. The following material misstatements detected as a result of audit procedures were corrected by management:

Description	Amount
San Bernardino County Loans Interest Payable Adjustment	\$ 2,505,326
Record CFD 2006-2 Bonds Fiscal Agent Activity	\$ 264,576
Reverse Prior Year Successor Agency Interest Payable	\$ 760,665
Record Fiscal Agent Activity on APUA Bonds	\$ 4,658,742
Accreted Interest Adjustment on Adelanto PFA 1995C Investment	\$ 947,882
APUA Interest Payable Adjustment	\$ 1,557,003
Current Year Amortization on APUA 2017 Bonds Deferred	
Amounts on Refunding	\$ 573,198
Reclass CFD Special Assessments and Receivables	\$ 180,391
Adjust Estimated APUA Litigation Liability as of 06/30/2019	\$ 500,001
Reclassify Land Purchases and Related Note Payable	\$ 545,000
Record Budgeted Administrative Fees from APUA	\$ 250,000

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 auditors' 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, February 25, 2021.

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

We were engaged to report on the supplementary information section, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

As part of the audit, we assisted with the preparation of the financial statements and related notes, and schedule of expenditures of federal awards. However, these services, does not constitute an audit under Government Auditing Standards and are considered non audit services. Management has reviewed, approved, and accepted responsibility for the results of these services.

Restriction on Use

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

Very truly yours,

Teaman Ramirez & Smith, Llc.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

City Council
City of Adelanto
Adelanto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Adelanto, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 25, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2019-001, 2019-002 and 2019-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2019-004, 2019-005, 2019-006, 2019-007, 2019-008 and 2019-009 to be significant deficiencies.

Compliance and Other Matters

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

City of Adelanto, California's Response to Findings

The City responses to the findings identified in our audit are described in the accompanying schedule of findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Teaman Ramirez & Smith, Inc.".

Riverside, California
February 25, 2021

CITY OF ADELANTO
SCHEDULE OF FINDINGS
Year Ended June 30, 2019

MATERIAL WEAKNESSES

2019-001 - Financial Close and Reporting Process

Condition: The City's financial close and reporting process has been behind in preparing year-end reconciliations and adjustments to adequately close the most current fiscal year-end accounting records.

Criteria: Financial close and reporting processes should be in place to close and complete the accounting records within a reasonable time after the end of the fiscal year.

Cause: The City had various turn over in staff and management, which included the Finance Department.

Effect: Since the financial close and reporting process wasn't completed timely, there was a delay in completing the audited financial statements. Also, management and the City Council may be basing decisions on financial information that may not be the most current if adjustments were made several months later.

Recommendation: It is our understanding that the City is working with an outside accounting consultant to assist the City in preparing year-end reconciliations and other analysis to have the City's accounting records more current. Therefore, we recommend the City continue to work with the outside accounting consultant and also develop formal financial close and reporting procedures that would adequately complete the accounting records at the end of each fiscal year in a timely manner.

Management's Response and Planned Corrective Actions: See attached management's corrective action plan.

2019-002 - Formal Written Payroll and Accounting Policies and Procedures Manual

Condition: There is no formal written payroll and accounting policies and procedures manual.

Criteria: Formal written payroll and accounting policies and procedures provide uniform guidance and communication for the consistency and accounting treatment of transactions.

Cause: The City has not developed a formally written payroll and accounting policies and procedures manual.

Effect: Since there are no formal written payroll and accounting policies and procedures manual, transactions may be treated inconsistently which could cause errors or the potential for abuse.

CITY OF ADELANTO
SCHEDULE OF FINDINGS
Year Ended June 30, 2019

2019-002 - Formal Written Payroll and Accounting Policies and Procedures Manual - Continued

Recommendation: We recommend the City develop a formal written payroll and accounting policies and procedures manual. The manual should be evaluated and updated at least annually. It is our understanding that the City is currently in the process of developing this manual.

Management's Response and Planned Corrective Actions: See attached management's corrective action plan.

2019-003 - Governmental Funds Capital Outlay and Debt Proceeds

Condition: In the Park Development Impact Special Revenue Fund, a property purchase and related note payable were recorded as a capital asset and a note payable liability in the fund. However, for governmental funds basis of accounting, capital expenditures should be expensed and long-term liabilities should be recorded as debt proceeds.

Criteria: Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Capital purchases are recorded as capital outlay expenditures and amounts from debt are recorded as revenues or debt proceeds under this basis of accounting.

Cause: The purchase of the land and related note payable were accounted for under the *economic resources measurement focus* and the *accrual basis of accounting*, similar to proprietary funds.

Effect: The transactions were not properly recorded under the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Adjustments were made to reclassify these amounts.

Recommendation: We recommend the Finance Department receive training on the recording of capital and debt related transactions for governmental funds, and also have a knowledgeable management personnel review and approve those transactions.

Management's Response and Planned Correction Actions: See attached management's corrective action plan.

CITY OF ADELANTO
SCHEDULE OF FINDINGS
Year Ended June 30, 2019

SIGNIFICANT DEFICIENCIES

2019-004 - Cash Disbursement and Purchasing Policies

Condition: The current cash disbursements and purchasing practices of the City do not follow the limits set forth under the City of Adelanto's municipal code.

Criteria: Cash disbursement and purchasing policies are established by the governing board to set various limits and guidelines to properly control the purchase of goods and services.

Cause: The City has not reviewed or updated its policy for several years. The City also implemented a new accounting software where limits were established to provide better controls over cash disbursements and purchasing but the change was not updated in the municipal code.

Effect: The current cash disbursements and purchasing practices by the City are not formally approved in the municipal code.

Recommendation: We recommend the City update its cash disbursements and purchasing policies in the municipal code to adhere to their current accounting practices.

Management's Response and Planned Corrective Actions: See attached management's corrective action plan.

2019-005 - Bank Reconciliations

Condition: Bank reconciliations were completed several months after the close of each month.

Criteria: The reconciliations completed in a timely manner allow the City to properly monitor cash and investments and identify errors or other unrecorded transactions shortly after the close of each month.

Cause: The City has been behind in its bank reconciliations for a few years since originally only one staff was assigned to prepare the reconciliations with no alternative staff to assist when they were unavailable due to medical or other leave. There were also some issues regarding cash receipts. See finding 2019-009.

Effect: Since the reconciliations were completed several months after the close of each month, unrecorded transactions and adjustments were not recorded timely after the close of each month.

Recommendation: We recommend that the City train an alternate person in case the staff assigned to the reconciliations should become unavailable to perform the bank reconciliations in a timely manner.

Management's Response and Planned Corrective Actions: See attached management's corrective action plan.

CITY OF ADELANTO
SCHEDULE OF FINDINGS
Year Ended June 30, 2019

2019-006 - Payroll Rate Approvals

Condition: Personnel action forms have missing approval signatures.

Criteria: Employee pay rates should be properly approved and documented before a rate adjustment is applied to payroll.

Cause: Personnel action forms required the employee's department head, City Manager, Finance Department and HR Department approvals for changes in payroll information which include payroll rates. The signatures were missed due to the unavailability of the authorized signers.

Effect: Without all the proper signatures, a payroll change might be incorrectly updated.

Recommendation: We recommend the City review its payroll procedures and document all the required signatures are present before applying a payroll change.

Management's Response and Planned Corrective Actions: See attached management's corrective action plan.

2019-007 - Construction Recycling Deposits

Condition: The City has construction recycling deposits but there are no formal tracking procedures that keep an updated listing and verification of outstanding deposits.

Criteria: Deposit liabilities should be tracked and monitored by appropriate personnel to determine when the liability has occurred and when the deposit should be refunded. A separate individual should use that information to reconcile those amounts to the City's accounting records.

Cause: Currently, the City doesn't have any formal procedures to monitor construction recycling deposits.

Effect: Construction recycling deposits could potentially have missing deposits or deposits that have been refunded and not properly recorded.

Recommendation: We recommend the City develop formal procedures for construction recycling deposits where an appropriate employee monitors and tracks construction recycle deposits and a separate employee uses that information to reconcile the amounts to the City's accounting records.

Management's Response and Planned Corrective Actions: See attached management's corrective action plan.

CITY OF ADELANTO
SCHEDULE OF FINDINGS
Year Ended June 30, 2019

2019-008 - Cash Management

Condition: The City has no formal cash management procedures to review and monitor interfund reimbursements.

Criteria: Reimbursement revenues, such as grants and intergovernmental sources, should be recorded in the proper fund when received. If another fund has expenditures/expenses related to those reimbursement revenues, then those amounts should be transferred to the appropriate fund.

Cause: Currently, the City does not have any formal cash management procedures to review and monitor interfund reimbursements.

Effect: Reimbursements between funds may not be recorded in a timely manner which could overstate cash in one fund and understate cash in another fund.

Recommendation: We recommend the City review its cash management procedures and develop procedures to identify transfer reimbursements between funds are recorded in a timely manner.

Management's Response and Planned Corrective Actions: See attached management's corrective action plan.

2019-009 - Cash Receipts Security

Condition: On June 13, 2019, the City staff identified missing cash receipts from the safe.

Criteria: Cash receipts should be reconciled timely and stored in a secured location.

Cause: The cash receipts that were expected in the safe from the cash receipts reports could not be located when a cash count was performed.

Effect: There were missing cash receipts in the safe that could not be located.

Recommendation: We understand that since the incident above, the City implemented a lockbox where cash receipts are stored and only can be accessed by the bank's personnel collecting the deposits. The lockbox will also keep track of the amounts that were deposited in the lockbox which the City uses to reconcile the amounts received. Therefore, we recommend the City continue to use the lockbox and reconcile daily cash receipts to ensure cash receipts are reconciled and stored in a secure location.

Management's Response and Planned Corrective Actions: See attached management's corrective action plan.

**CITY OF ADELANTO, CALIFORNIA
CORRECTIVE ACTION PLAN
Year Ended June 30, 2019**

Compiled by: The Finance Department

CITY OF ADELANTO, CALIFORNIA
CORRECTION ACTION PLAN
Year Ended June 30, 2019

MATERIAL WEAKNESSES

2019-001 - Financial Close and Reporting Process

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: The Finance Department will use outside accounting consultants in order to work towards timely year-end closings. At such time that the year-end closings are current, the process will be transitioned to City staff.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

2019-002 - Formal Written Payroll and Accounting Policies and Procedures Manual

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: The Finance and Human Resource Departments are in the process of developing and implementing formal written payroll and accounting policies as well as a procedures manual.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

2019-003 - Governmental Funds Capital Outlay and Debt Proceeds

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: The Finance Department is in the process of developing policies and procedures to ensure the proper recording of capital and debt related transactions for governmental funds and to ensure that management reviews and approves those transactions. In addition, staff will attend appropriate training in order further reinforce proper accounting treatment of these transactions.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

CITY OF ADELANTO, CALIFORNIA
CORRECTION ACTION PLAN
Year Ended June 30, 2019

SIGNIFICANT DEFICIENCIES

2019-004 - Cash Disbursement and Purchasing Policies

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: The Finance Department re-implemented the purchasing policies and procedures outlined in the City's municipal code in the middle of the fiscal year. Management considers this finding to be closed.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

2019-005 - Bank Reconciliations

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: The City hired an accountant and outside accounting staff to perform all bank account reconciliation and are now current. Management considers this finding to be closed.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

2019-006 - Payroll Rate Approvals

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: The Finance and Human Resource Departments are reviewing payroll policies to ensure payroll rate approvals are properly approved and documented. The departments have implemented a revised Personnel Action Form (PAF), which is reviewed and approved by City management staff. Further, the City has added a Sr. Human Resources Analyst position to the organizational structure in order to ensure personnel policies and procedures are adopted and followed. Management considers this finding to be closed.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

CITY OF ADELANTO, CALIFORNIA
CORRECTION ACTION PLAN
Year Ended June 30, 2019

SIGNIFICANT DEFICIENCIES - Continued

2019-007 - Construction Recycling Deposits

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: The Finance Department and Community Development Department are in the process of phasing out the construction recycling deposit program. Therefore, this issue will resolve itself over time as construction projects are completed and deposits are refunded. Management considers this finding to be closed.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

2019-008 - Cash Management

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: The Finance Department has reviewed its cash management procedures and is in the process of updating those procedures to ensure timely transfer reimbursements between funds.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

2019-009 - Cash Receipts Security

Management's or Department's Response: We concur with the finding.

View of Responsible Officials and Corrective Action: Finance Department staff reconcile cash receipts on a daily basis and reconcile the receipts to the deposit log and bank statement. In addition, a time lock safe has been installed to reduce the opportunity for funds to go missing. Management considers this finding to be closed.

Contact Information of Responsible Official: Ward Komers, Finance Director

Implementation Date: July 2021

CITY OF ADELANTO, CALIFORNIA

ANNUAL AUDIT REPORT

Year Ended June 30, 2019

City of Adelanto, California
Annual Audit Report
Year Ended June 30, 2019

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City of Adelanto, California
Annual Audit Report
Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

Members of the City Council of the
City of Adelanto
Adelanto, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 City'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 City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adelanto, California, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

New Accounting Pronouncements

As described in Note 1B to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 64 - 71 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.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate 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 supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Teaman Ramirez & Smith, Inc.

Riverside, California
February 25, 2021

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BASIC FINANCIAL STATEMENTS

City of Adelanto, California
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 18,071,268	\$ 16,390,389	\$ 34,461,657
Cash and Investments with Fiscal Agent	212,526	11,857,130	12,069,656
Accounts Receivable, Net	3,155,724	2,394,040	5,549,764
Interest Receivable		29,232	29,232
Prepaid Items		2,087,148	2,087,148
Internal Balances	5,998,884	(5,998,884)	0
Due from Fiduciary Funds	471,368		471,368
Deposits	600,497		600,497
Advances to Fiduciary Funds	2,524,243		2,524,243
Successor Agency Loans Receivable		12,116,378	12,116,378
Net Pension Asset		6,723	6,723
Capital Assets, Not Being Depreciated	16,393,452	8,194,457	24,587,909
Capital Assets, Net of Depreciation	55,748,537	52,334,913	108,083,450
	<hr/>	<hr/>	<hr/>
Total Assets	103,176,499	99,411,526	202,588,025
	<hr/>	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	573,533	82,467	656,000
OPEB Related Items	208,527		208,527
Deferred Loss on Bond Refunding		10,067,005	10,067,005
	<hr/>	<hr/>	<hr/>
Total Deferred Outflows of Resources	782,060	10,149,472	10,931,532
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts Payable and Accrued Liabilities	1,487,237	474,857	1,962,094
Interest Payable		1,857,753	1,857,753
Deposits	1,473,461	1,266,976	2,740,437
Litigation Liability	2,083,334	333,334	2,416,668
Long-term Liabilities:			
Due Within One Year	134,580	2,298,073	2,432,653
Due in More Than One Year	2,718,709	81,197,605	83,916,314
	<hr/>	<hr/>	<hr/>
Total Liabilities	7,897,321	87,428,598	95,325,919
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	283,339	34,857	318,196
OPEB Related Items	12,415		12,415
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	295,754	34,857	330,611
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net Investment in Capital Assets	72,141,989	(2,722,897)	69,419,092
Restricted for:			
Development	7,329,861		7,329,861
Streets and Roads	9,509,170		9,509,170
Community Development	653,326		653,326
Other Purposes	905,596	31,711	937,307
Unrestricted	5,225,542	24,788,729	30,014,271
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 95,765,484	\$ 22,097,543	\$ 117,863,027
	<hr/>	<hr/>	<hr/>
The accompanying notes are an integral part of this statement.			

City of Adelanto, California
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 4,678,768	\$ 963,781	\$ 12,734	\$
Public Safety	11,447,931	270,229	266,978	20,783
Public Works	5,680,892	2,194,838	2,564,929	1,367,511
Community Development	997,723	1,306,757		
Parks and Recreation	4,870,513	129,618	17,559	118,490
Total Governmental Activities	<u>27,675,827</u>	<u>4,865,223</u>	<u>2,862,200</u>	<u>1,506,784</u>
Business-type Activities:				
Adelanto Community Benefit Corporation	15,666		14,364	
Public Utility Authority	11,799,472	18,601,958		
Total Business-type Activities	<u>11,815,138</u>	<u>18,601,958</u>	<u>14,364</u>	<u>0</u>
Total Primary Government	<u>\$ 39,490,965</u>	<u>\$ 23,467,181</u>	<u>\$ 2,876,564</u>	<u>\$ 1,506,784</u>

General Revenues:

Sales Taxes
Property Taxes
Franchise Taxes
Real Property Transfer Tax
Transient Occupancy Taxes
Motor Vehicle in Lieu Tax, Unrestricted
Measure R Taxes
Investment Earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,702,253)	\$	\$ (3,702,253)
(10,889,941)		(10,889,941)
446,386		446,386
309,034		309,034
<u>(4,604,846)</u>		<u>(4,604,846)</u>
 (18,441,620)	 0	 (18,441,620)
	(1,302)	(1,302)
	<u>6,802,486</u>	<u>6,802,486</u>
 0	 6,801,184	 6,801,184
<u>(18,441,620)</u>	<u>6,801,184</u>	<u>(11,640,436)</u>
 2,133,652		2,133,652
256,737		256,737
1,703,009		1,703,009
91,313		91,313
33,313		33,313
2,696,275		2,696,275
1,265,449		1,265,449
252,299	1,450,206	1,702,505
302,553		302,553
<u>701,698</u>	<u>(701,698)</u>	<u>0</u>
 9,436,298	 748,508	 10,184,806
 (9,005,322)	 7,549,692	 (1,455,630)
<u>104,770,806</u>	<u>14,547,851</u>	<u>119,318,657</u>
 <u>\$ 95,765,484</u>	 <u>\$ 22,097,543</u>	 <u>\$ 117,863,027</u>

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Mavericks Stadium	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 837,296	\$	\$ 17,233,972	\$ 18,071,268
Cash and Investments with Fiscal Agent			212,526	212,526
Accounts Receivable, Net	1,112,368	15,000	2,028,356	3,155,724
Due from Other Funds	1,243,648	576	382,775	1,626,999
Due from Fiduciary Funds	471,368			471,368
Deposits with Other Agencies	600,497			600,497
Advances to Other Funds	11,817,857		226,454	12,044,311
Advances to Fiduciary Funds	2,524,243			2,524,243
Total Assets	\$ 18,607,277	\$ 15,576	\$ 20,084,083	\$ 38,706,936
LIABILITIES				
Accounts Payable	\$ 730,503	\$ 10,577	\$ 664,992	\$ 1,406,072
Accrued Liabilities	81,165			81,165
Litigation Liability		1,916,667		1,916,667
Due to Other Funds	269,837	288,811	1,068,351	1,626,999
Deposits	1,465,401	8,060		1,473,461
Advances from Other Funds	2,950,574	3,094,853		6,045,427
Total Liabilities	5,497,480	5,318,968	1,733,343	12,549,791
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	19,834		59,898	79,732
Unavailable Revenue - Developer Fees			796,910	796,910
Unavailable Revenue - Intergovernmental			775,442	775,442
Total Deferred Inflows of Resources	19,834	0	1,632,250	1,652,084
FUND BALANCES				
Nonspendable	14,942,597			14,942,597
Restricted For:				
Development			7,230,738	7,230,738
Streets and Roads			8,751,485	8,751,485
Air Quality Management			133,541	133,541
Law Enforcement			263,762	263,762
Public Safety			146,168	146,168
Community Development			653,326	653,326
Lighting and Landscape Maintenance			305,930	305,930
Unassigned	(1,852,634)	(5,303,392)	(766,460)	(7,922,486)
Total Fund Balances	13,089,963	(5,303,392)	16,718,490	24,505,061
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 18,607,277	\$ 15,576	\$ 20,084,083	\$ 38,706,936

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019

Fund Balances of Governmental Funds	\$ 24,505,061
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	72,141,989
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,652,084
Deferred outflows and inflows of resources related to pensions that are required to be recognized over a defined closed period.	
Pension Related Deferred Outflows of Resources	573,533
OPEB Related Deferred Outflows of Resources	208,527
Pension Related Deferred Inflows of Resources	(283,339)
OPEB Related Deferred Inflows of Resources	(12,415)
Liabilities that are not due and payable in the current period and are not reported in the funds.	
Litigation Liability	(166,667)
Compensated Absences	(276,958)
Net Pension Liability	(76,769)
Net OPEB Liability	(2,067,483)
Claims Payable	(292,079)
Notes Payable	(140,000)
Net Position of Governmental Activities	<u>\$ 95,765,484</u>

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	General Fund	Mavericks Stadium	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,283,209	\$	\$ 1,322,947	\$ 9,606,156
Licenses, Permits and Fees	2,305,820			2,305,820
Fines, Forfeitures and Penalties	177,589			177,589
Investment Earnings	228,056		196,626	424,682
Charges for Current Services	1,763,435	129,617		1,893,052
Developer Fees			794,784	794,784
Intergovernmental Revenues	70,339		2,569,349	2,639,688
Miscellaneous	302,553			302,553
Total Revenues	13,131,001	129,617	4,883,706	18,144,324
EXPENDITURES				
Current:				
General Government	4,898,197			4,898,197
Public Safety	11,377,047		35,217	11,412,264
Public Works	2,696,057		232,779	2,928,836
Community Development	953,993		51,392	1,005,385
Parks and Recreation	386,169	4,327,220	3,674	4,717,063
Capital Outlay	484,903		4,229,408	4,714,311
Total Expenditures	20,796,366	4,327,220	4,552,470	29,676,056
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,665,365)	(4,197,603)	331,236	(11,531,732)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	998,573			998,573
Transfers In	2,367,181	2,486,454	627	4,854,262
Transfers Out	(2,486,564)		(1,666,000)	(4,152,564)
Notes Payable Issued			140,000	140,000
Total Other Financing Sources (Uses)	879,190	2,486,454	(1,525,373)	1,840,271
Net Change in Fund Balances	(6,786,175)	(1,711,149)	(1,194,137)	(9,691,461)
Fund Balances - Beginning	19,876,138	(3,592,243)	17,912,627	34,196,522
Fund Balances - Ending	\$ 13,089,963	\$ (5,303,392)	\$ 16,718,490	\$ 24,505,061

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (9,691,461)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlay as an expenditure in the full amount as current financial resources are used. However, in the Statement of Activities the cost of these assets is allocated over the estimated useful life as depreciation expense.

Capital Outlay	4,697,588
Depreciation	(3,084,616)
Gain on Sale of Capital Assets	(895,166)

Governmental funds report activity of long-term liabilities and contingences as revenues and expenditures, but they are included as increases and reductions on the long-term liabilities and contingent liabilities in the Statement of Net Position.

Litigation Liability	249,999
Compensated Absences	7,674
Net Change in the Net Pension Liability	135,323
Net Change in the Net OPEB Liability	9,576
Net Change in the Net Claims Payable	(128,893)
Notes Payable Issued	(140,000)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Unavailable Revenues	(278,924)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures.

Net Change in Deferred Outflows and Inflows of Resources Related to Pensions	(22,479)
Net Change in Deferred Outflows and Inflows of Resources Related to OPEB	136,057

Change in Net Position of Governmental Activities	\$ (9,005,322)
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City of Adelanto, California
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
ASSETS			
Current Assets:			
Cash and Investments	\$ 31,711	\$ 16,358,678	\$ 16,390,389
Accounts Receivable, Net		2,394,040	2,394,040
Interest Receivable		29,232	29,232
Prepaid Items		2,087,148	2,087,148
Total Current Assets	31,711	20,869,098	20,900,809
Noncurrent Assets:			
Cash and Investments with Fiscal Agent		11,857,130	11,857,130
Advances to Other Funds		2,779,659	2,779,659
Successor Agency Loans Receivable		12,116,378	12,116,378
Net Pension Asset		6,723	6,723
Land and Water Rights, Not Being Depreciated		8,194,457	8,194,457
Capital Assets, Net of Depreciation		52,334,913	52,334,913
Total Noncurrent Assets	0	87,289,260	87,289,260
Total Assets	31,711	108,158,358	108,190,069
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items		82,467	82,467
Deferred Loss on Bond Refunding		10,067,005	10,067,005
Total Deferred Outflows of Resources	0	10,149,472	10,149,472
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		474,857	474,857
Interest Payable		1,857,753	1,857,753
Deposits		1,266,976	1,266,976
Litigation Liability		333,334	333,334
Current Portion of Advances from Other Funds		1,876,950	1,876,950
Current Portion of Compensated Absences		28,073	28,073
Current Portion of Bonds Payable		2,270,000	2,270,000
Total Current Liabilities	0	8,107,943	8,107,943
Noncurrent Liabilities:			
Advances from Other Funds		6,901,593	6,901,593
Compensated Absences		4,258	4,258
Bonds Payable		81,193,347	81,193,347
Total Noncurrent Liabilities	0	88,099,198	88,099,198
Total Liabilities	0	96,207,141	96,207,141
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items		34,857	34,857
Total Deferred Inflows of Resources	0	34,857	34,857
NET POSITION			
Net Investment in Capital Assets		(2,722,897)	(2,722,897)
Restricted for Community Benefits	31,711		31,711
Unrestricted		24,788,729	24,788,729
Total Net Position	\$ 31,711	\$ 22,065,832	\$ 22,097,543

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2019

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
OPERATING REVENUES			
Service Charges	\$	\$ 15,166,198	\$ 15,166,198
Availability Charges		893,289	893,289
Connection Fees		1,047,313	1,047,313
Other Revenue	14,364	1,495,158	1,509,522
Total Operating Revenues	14,364	18,601,958	18,616,322
OPERATING EXPENSES			
General and Administrative	6,791	540,163	546,954
Salaries and Benefits		559,772	559,772
Contractual Services		33,658	33,658
Water Operations		2,485,666	2,485,666
Sewer Operations		1,353,042	1,353,042
Utilities		885,597	885,597
Community Events	8,875		8,875
Depreciation		1,576,051	1,576,051
Total Operating Expenses	15,666	7,433,949	7,449,615
Operating Income (Loss)	(1,302)	11,168,009	11,166,707
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	234	1,449,972	1,450,206
Amortization and Other Nonoperating Expenses		(628,596)	(628,596)
Interest Expense and Fiscal Charges		(3,736,927)	(3,736,927)
Total Nonoperating Revenues (Expenses)	234	(2,915,551)	(2,915,317)
Income (Loss) before Transfers	(1,068)	8,252,458	8,251,390
Transfers Out		(701,698)	(701,698)
Change in Net Position	(1,068)	7,550,760	7,549,692
Total Net Position - Beginning	32,779	14,515,072	14,547,851
Total Net Position - Ending	\$ 31,711	\$ 22,065,832	\$ 22,097,543

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$	\$ 18,271,217	\$ 18,271,217
Other Receipts (Payments)	14,364	18,970	33,334
Payments to Suppliers for Goods and Services	(16,098)	(5,654,655)	(5,670,753)
Payments to Employees for Services		(599,244)	(599,244)
Net Cash Provided by (Used for) Operating Activities	(1,734)	12,036,288	12,034,554
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to Other Funds		(250,000)	(250,000)
Advances to and Payments on Interfund Advances		(848,230)	(848,230)
Net Cash Provided by (Used for) Noncapital Financing Activities	0	(1,098,230)	(1,098,230)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets		(4,474,286)	(4,474,286)
Payment on Interfund Advances		(2,230,517)	(2,230,517)
Principal Payments on Capital Debt		(2,460,000)	(2,460,000)
Interest Paid on Capital Debt		(3,808,271)	(3,808,271)
Net Cash Provided by (Used for) Capital and Related Financing Activities	0	(12,973,074)	(12,973,074)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	234	1,964,010	1,964,244
Net Cash Provided by (Used for) from Investing Activities	234	1,964,010	1,964,244
Net Increase (Decrease) in Cash and Cash Equivalents	(1,500)	(71,006)	(72,506)
Cash and Cash Equivalents - Beginning of the Year	33,211	28,286,814	28,320,025
Cash and Cash Equivalents - End of the Year	<u>\$ 31,711</u>	<u>\$ 28,215,808</u>	<u>\$ 28,247,519</u>
Reconciliation to Statement of Net Position:			
Cash and Investments	\$ 31,711	\$ 16,358,678	\$ 16,390,389
Cash and Investments with Fiscal Agent		11,857,130	11,857,130
Cash and Cash Equivalents	<u>\$ 31,711</u>	<u>\$ 28,215,808</u>	<u>\$ 28,247,519</u>

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Cash Flows - Continued
Proprietary Funds
Year Ended June 30, 2019

	Enterprise Funds		
	Adelanto Community Benefit Corporation	Public Utility Authority	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (1,302)	\$ 11,168,009	\$ 11,166,707
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation		1,576,051	1,576,051
Other Receipts		18,970	18,970
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable		44,907	44,907
(Increase) Decrease in Prepaid Items		(500,000)	(500,000)
(Increase) Decrease in Net Pension Asset		(6,723)	(6,723)
(Increase) Decrease in Pension Related Deferred Outflows of Resources		(22,004)	(22,004)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(432)	114,562	114,130
Increase (Decrease) in Deposit Payables		124,350	124,350
Increase (Decrease) in Litigation Liability		(500,000)	(500,000)
Increase (Decrease) in Compensated Absences		2,972	2,972
Increase (Decrease) in Net Pension Liability		(127)	(127)
Increase (Decrease) in Pension Related Deferred Inflows of Resources		15,321	15,321
Total Adjustments	(432)	868,279	867,847
TOTAL CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (1,734)	\$ 12,036,288	\$ 12,034,554
Schedule of Noncash Capital and Related Financing Activities:			
Amortization of Deferred Loss on Refunding	\$ 0	\$ 672,022	\$ 672,022
Amortization of Bond Premiums and Discounts	\$ 0	\$ (215,248)	\$ (215,248)
Amortization of Prepaid Bond Insurance	\$ 0	\$ 134,932	\$ 134,932

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private-Purpose Trust Funds		
	Luetke Foundation	Successor Agency	Agency Funds
ASSETS			
Cash and Investments	\$ 38,422	\$ 10,070,145	\$ 1,642,082
Cash and Investments with Fiscal Agent		4,792,913	943,739
Accounts Receivable			916
Notes Receivable		542,355	
Total Assets	38,422	15,405,413	2,586,737
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refunding		370,953	
Total Deferred Outflows of Resources	0	370,953	0
LIABILITIES			
Accounts Payable		100	
Due to Other Funds	10,565	381,504	79,299
Due to Bondholders			2,507,438
Bonds and Other Loans Interest Payable		807,410	
San Bernardino County Loan Interest Payable		24,787,519	
Advances from Other Funds		2,524,243	
Bonds Payable		7,875,711	
Loans Payable		25,817,644	
Other Long-term Liabilities		15,346,076	
Total Liabilities	10,565	77,540,207	\$ 2,586,737
NET POSITION			
Net Position (Deficit) Held in Trust for Redevelopment & Other Purposes	27,857	(61,763,841)	
Total Net Position	\$ 27,857	\$ (61,763,841)	

The accompanying notes are an integral part of this statement.

City of Adelanto, California
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2019

	Private-Purpose Trust Funds	
	Luetke Foundation	Successor Agency
ADDITIONS		
Taxes	\$	\$ 5,435,570
Investment Earnings	3,401	234,245
Other Revenues		43,426
Total Additions	3,401	5,713,241
DEDUCTIONS		
Administration		85,867
Interest Expense		4,918,030
Total Deductions	0	5,003,897
Change in Net Position	3,401	709,344
Net Position - Beginning, As Previously Reported	24,456	(62,473,185)
Net Position - Ending	\$ 27,857	\$ (61,763,841)

The accompanying notes are an integral part of this statement.

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City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The City of Adelanto, California, was incorporated on December 22, 1970, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. The City is governed by an elected five member City Council.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

The City's component units are considered to be blended component units because the City Council serves as the governing body. The blended components units, although legally separate are, in substance, part of the City's operations, therefore data from the units are reported with the interfund data of the primary government.

The Adelanto Public Utility Authority issues separate component unit financial statements. The other component units do not have separately issued financial statements. The financial statements of the component units can be obtained at City Hall.

The City of Adelanto is a reporting entity which includes the following components units:

Adelanto Public Financing Authority

The Adelanto Public Financing Authority was established pursuant to a Joint Powers Agreement dated September 12, 1989, by and between the City of Adelanto and the now dissolved Adelanto Redevelopment Agency in accordance with the provisions of the laws of the State of California. The Authority was created for the purpose of providing financing for public capital improvements for the City and the Agency through the acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of local obligations.

Adelanto Public Utility Authority

The Adelanto Public Utility Authority was formed by action of the City Council on October 22, 1996. The Utility Authority was formed for the purpose of purchasing and operating the City's wastewater operations. In conjunction with that purchase, the Utility Authority issued bonds to finance the down payment to the City and the construction of a wastewater treatment plant. The Utility Authority also issued a note payable to the City to finance the purchase of the existing wastewater assets. During February of 2000, the Adelanto Public Utility Authority entered into a purchase agreement with the Adelanto Water Authority to purchase the Adelanto Water Authority's water system. The purchase price consisted of amounts sufficient to refund all the outstanding prior water bonds and assumptions of the Adelanto Water Authority's obligations under the original agreement dated January 9, 1996, under which the Water Authority was formed by the City of Adelanto.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A) Reporting Entity - Continued

The Adelanto Community Benefit Corporation

The Adelanto Community Benefit Corporation (the “Corporation”) was incorporated on April 13, 2009. The Corporation was formed as a nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code. The specific and primary purpose of this corporation is to coordinate beautification and other community enhancement opportunities in the City of Adelanto, California. The governing body of the Corporation is comprised of the City Council. Upon dissolution, any assets remaining shall be distributed to the City of Adelanto or a designated nonprofit fund, foundation or corporation by the governing body.

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standard Board Statement No. 83

In November of 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement was issued to address the criteria for the recognition and measurement of the liability and corresponding deferred outflows of resources associated with certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 is effective for reporting periods beginning after June 15, 2018. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after June 15, 2019. The City has elected to early implement GASB No. 83 and, currently, has no effect on the City’s financial statements.

Governmental Accounting Standard Board Statement No. 84

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This Statement establishes the criteria for identifying fiduciary activities which should be reported in a fiduciary fund in the basic financial statements. The fiduciary funds that should be reported, if applicable: a) pensions trust funds, b) investment trust funds, c) private purpose trust funds, d) custodial funds. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2019. The City has elected not to early implement GASB No. 84 and has not determined its effect on the City’s financial statements.

Governmental Accounting Standard Board Statement No. 87

In June of 2017, GASB issued Statement No. 87, *Leases*. The intent of this Statement is to improve accounting and financial reporting for government leases by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement to be effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter. The City has elected not to early implement GASB No. 87 and has not determined its effect on the City’s financial statements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standard Board Statement No. 88

In March of 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement was issued to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Statement No. 88 is effective for fiscal years beginning after June 15, 2018. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after June 15, 2019. The City has elected to early implement GASB No. 88 which is reflected in the City's financial statements.

Governmental Accounting Standard Board Statement No. 89

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement was issued to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Statement No. 89 is effective for fiscal years beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2020. The City has elected not to early implement GASB No. 89 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 90

In August of 2018, GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. This Statement was issued to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Statement No. 90 is effective for fiscal years beginning after December 15, 2018. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2019. The City has elected not to early implement GASB No. 90 and has not determined its effect on the City's financial statements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 91

In May of 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement was issued to improve financial reporting for certain debt obligations. It allowed entities to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Statement No. 91 is effective for fiscal years beginning December 15, 2020. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2021. The City has elected not to early implement GASB No. 91 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 92

In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. This statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This includes GASB Statement No. 87, GASB Statement No. 73, GASB Statement No. 74, GASB Statement No. 84 and the measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition as well as other specific provisions. The requirements related to GASB Statement No. 87 are effective upon the issuance date of Statement No. 92. All other requirements are effective for reporting periods beginning after June 15, 2020. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement for paragraphs 6-10 and 12 for reporting periods beginning after June 15, 2021. The City has elected not to early implement GASB No. 92 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 93

In March of 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that results from the replacement of an Interbank Offered Rates (IBOR). The removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements are effective for reporting periods beginning after June 15, 2020. Due to the COVID-19 pandemic, GASB Statement No. 95 delayed the implementation of this GASB Statement for paragraphs 13 and 14 for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The City has elected not to early implement GASB No. 93 and has not determined its effect on the City's financial statements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 94

In March of 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Statement No. 94 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has elected not to early implement GASB No. 94 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 95

In May of 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides which are as follows:

- a. Statement 83 - Reporting periods beginning after June 15, 2019.
- b. Statement 84 and Implementation Guide 2019-2 - Reporting periods beginning after December 15, 2019.
- c. Statement 87 and Implementation Guide 2019-3 - Fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- d. Statement 88 - Reporting periods beginning after June 15, 2019.
- e. Statement 89 - Reporting periods beginning after December 15, 2020.
- f. Statement 90 - Reporting periods beginning after December 15, 2019.
- g. Statement 91 - Reporting periods beginning after December 15, 2021.
- h. Statement 92, paragraphs 6 and 7 - Fiscal years beginning after June 15, 2021.
- i. Statement 92, paragraphs 8, 9, and 12 - Reporting periods beginning after June 15, 2021.
- j. Statement 92, paragraph 10 - Government acquisitions occurring in reporting periods beginning after June 15, 2021.
- k. Statement 93, paragraphs 13 and 14 - Fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- l. Implementation Guide 2017-3, Questions 4.484 and 4.491 - The first reporting period in which the measurement date of the (collective) net OPEB liability is on or after June 15, 2019.
- m. Implementation Guide 2017-3, Questions 4.85, 4.103, 4.108, 4.109, 4.225, 4.239, 4.244, 4.245, and 5.1-5.4 - Actuarial valuations as of December 15, 2018, or later.
- n. Implementation Guide 2018-1 - Reporting periods beginning after June 15, 2019.
- o. Implementation Guide 2019-1 - Reporting periods beginning after June 15, 2020.

Statement No. 95 is effective immediately. The City has elected to delay certain provisions in the GASB Statements as allowed by GASB Statement No. 95.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 96

In May of 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangement (SBITAs) for government end users (governments). Statement No. 96 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has elected not to early implement GASB No. 96 and has not determined its effect on the City's financial statements.

Governmental Accounting Standard Board Statement No. 97

In June of 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objective of this statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined pension and OPEB plans as fiduciary component units; and (3) enhance the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. All other requirements are effective for fiscal years beginning after June 15, 2021. The City has elected not to early implement GASB No. 97 and has not determined its effect on the City's financial statements.

C) Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These statements require that the financial statements described below be presented:

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Presentation - Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City 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 that are not included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as non-major funds.

D) 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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met. The agency funds have no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities. Agency funds only report assets and liabilities and therefore have no measurement focus.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 judgements, are recorded only when payment is due.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another funds.

The *Mavericks Stadium* is used to account for the operations and maintenance of the Mavericks Stadium.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The City reports the following major proprietary funds:

The Adelanto Community Benefit Corporation Enterprise Fund is used to account for the activities of the City's nonprofit public benefit corporation that provides for community activities and coordinates beautification and other community enhancement opportunities.

The Public Utility Authority Enterprise Fund is used to account for the operation and maintenance of the wastewater and water system within the City's boundaries.

Additionally, the City reports the following fund types:

The Private-Purpose Trust Funds are used to account for assets and activities restricted to a specific purpose in accordance with a trust agreement on behalf of individuals, private organizations, other governments, or other funds.

The Agency Funds are used to account for money received by the City as an agent for individuals, other governments and other entities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary fund function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

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 Enterprise Funds and the Internal Service Fund are charges to customers for sales and services. Operating expenses for the Enterprise Funds and the Internal Service Fund 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted as they are needed.

E) Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changed in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F) Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at fair value except for interest-earning investment contracts and external investment pool.

In applying GASB 31, the City utilized the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
 - a) Items required to be reported at amortized cost,
 - b) Items in external pools that are not SEC-registered,
 - c) Items subject to involuntary participation in an external pool,
 - d) Items associated with a fund other than the fund to which the income is assigned;
- 3) Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balance exceeds the cumulative value of those investments subject to GASB 31;
- 4) The gain/loss resulting from valuation will be reported within the revenue account "Investment Earnings" on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

G) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts, if applicable, and estimated refunds due.

H) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financials statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I) Land Held for Development

Costs of project land and improvements held for development are recorded at the lower of acquisition cost or net realizable value.

J) Restricted Assets

Certain proceeds of the City's long-term debt, as well as certain resources set aside for its repayment, are classified as restricted assets on the financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions, and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

K) Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Assets purchased in excess of \$5,000 are capitalized if they have an expected useful life of 2 years or more. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Donated capital assets are valued at their acquisition value rather than their estimated fair market value at the date of donation.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 - 50 years
Machinery and Equipment	5 - 30 years
Vehicles	8 - 10 years
Infrastructure	15 - 65 years

L) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. The City has three items that qualify for reporting in this category. The City has deferred outflows related to pensions and other post-employment benefits (OPEB), which arises only under a full accrual basis of accounting. Accordingly, these items (*pension and OPEB related items*), are reported only in the government-wide statement of net position and proprietary funds statement of net position. This includes pension and OPEB contributions subsequent to the measurement date of the net pension liability, net OPEB liability and other amounts (see Notes 11 and 12), which are amortized by an actuarial determined period. The City also has a deferred loss on bond refunding that resulted from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L) Deferred Outflows/Inflows of Resources - Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows of resources. One item arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows of resources related to pensions and other post-employment benefits (OPEB), which arises only under a full accrual basis of accounting. Accordingly, these items (*pension and OPEB related items*), are reported only in the government-wide statement of net position and proprietary funds statement of net position. These amounts (see Notes 11 and 12) are amortized by an actuarial determined period.

M) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

N) Compensated Absences

It is the City's policy to permit employees to accumulate earned, but unused vacation benefits, which will be paid to employees upon separation from City service. Governmental fund types recognize the cost of vacation benefits when payments are made to employees. Since these unused vacation benefits will not be liquidated with available financial resources, a long-term liability for accrued vacation benefits is recorded. Proprietary fund types accrue vacation benefits in the period they are earned.

O) Net Position

In the government-wide and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets; restricted net position, and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any related debt excluding unspent debt proceeds. Restricted net position represents net position restricted by parties outside the City (such as creditors, grantors, contributions, and laws and regulations of other governments). All other amounts are considered unrestricted.

P) Fund Balance

Fund balance in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

P) Fund Balance - Continued

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom the authority has been given.

Unassigned Fund Balance - These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other categories, or negative balances in all other funds.

Q) Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1 st	
Levy Date	July 1 st to June 30 th	
Due Date	November 1 st	- 1st Installment
	February 1 st	- 2nd Installment
Delinquent Date	December 10 th	- 1st Installment
	April 10 th	- 2nd Installment

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas prescribed by the state statutes. A delinquency penalty of 10 percent is assessed by the County of San Bernardino. If taxes become delinquent, subject properties may be deeded to the State and may be sold by the County for taxes plus a 1.5 percent per month redemption fee.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require 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	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

T) Use of Estimates

Management of the City uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, deferred outflows/inflows of resources and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that management uses.

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Fund Deficits

The following funds contained a deficit fund balance or net position as of June 30, 2019.

Major Funds:	
Mavericks Stadium	\$ 5,303,392
Nonmajor Governmental Funds:	
Federal Grants	\$ 33,957
State/County Grants	\$ 715,932
Community Development Block Grant	\$ 15,050
Traffic Offender	\$ 1,521
Private-Purpose Trust Fund:	
Successor Agency	\$ 61,763,841

The above deficit fund balance or net position is expected to be eliminated through future revenues.

Excess of Expenditures over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

	Final Appropriations	Expenditures	Difference
Major Funds			
General Fund			
City Attorney	\$ 1,361,000	\$ 1,562,777	\$ (201,777)
Human Resources	40,000	75,207	(35,207)
Non-Department	1,221,300	1,315,831	(94,531)
Fire	4,510,755	4,511,488	(733)
Public Safety	0	68,674	(68,674)
LLMD	580,991	638,411	(57,420)
Engineering	449,194	582,450	(133,256)
Public Services	0	124,509	(124,509)
Community Services	0	28,995	(28,995)
Community Center	14,155	15,865	(1,710)
Capital Outlay - Non-Department	102,884	386,117	(283,233)
Special Revenue Funds:			
Mavericks Stadium	2,483,773	4,327,220	(1,843,447)
Nonmajor Funds			
Special Revenue Funds:			
Park Development Impact	268,543	428,633	(160,090)
Drainage Impact	0	636	(636)
Traffic Impact	2,612,434	2,824,034	(211,600)
Fire Mitigation Impact	0	13	(13)
Gas Tax	0	186	(186)
TDA Article 8	0	134	(134)
Road Maintenance & Rehabilitation SB-1	0	61	(61)
Federal Grants	29,703	31,185	(1,482)
State/County Grants	712,000	715,932	(3,932)
Police Asset Seizure	0	3	(3)
Public Safety ½ Cent	0	40	(40)
Traffic Offender	0	1	(1)
COPS Grant	0	56	(56)
Measure I 70% Local	300,000	474,654	(174,654)
Community Facilities District	11,500	13,373	(1,873)

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

3) CASH AND INVESTMENTS

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 34,461,657
Cash and Investments with Fiscal Agent	12,069,656
Statement of Fiduciary Net Position:	
Cash and Investments	11,750,649
Cash and Investments with Fiscal Agent	<u>5,736,652</u>
Total Cash and Investments	<u>\$ 64,018,614</u>

Cash and Investments consist of the following:

Petty Cash	\$ 4,350
Deposits with Financial Institutions	31,172,155
Investments	<u>32,842,109</u>
Total Cash and Investments	<u>\$ 64,018,614</u>

Investments Authorized by the California Government Code and the City's Investment Policy

The following table identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10%
Certificate of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities			
Lending Agreements	92 days	20%	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

3) CASH AND INVESTMENTS - Continued

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Disclosures 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 City manages its exposure to interest rates risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distributions of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)				
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State Investment Pool	\$ 4,574,826	\$ 4,574,826	\$	\$	\$
Money Market Mutual Funds	1,965,068	1,965,068			
California Community Foundation Investment Pool ⁽¹⁾	38,422	38,422			
U.S. Agency Obligations	3,003,752	3,003,752			
Commercial Paper	1,996,060	1,996,060			
Certificates of Deposit	3,457,673	2,987,338	470,335		
Held by Bond Trustee:					
Money Market Mutual Funds	16,345,808	16,345,808			
Investment Agreements	1,460,500				1,460,500
Total	\$ 32,842,109	\$ 30,911,274	\$ 470,335	\$ 0	\$ 1,460,500

⁽¹⁾ This investment was approved by the City Council for the Adelanto Community Benefit Corporation but is not specifically authorized by the City's investment policy.

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.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

3) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk - Continued

Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Ratings as of Year End	
				AAA	Not Rated
State Investment Pool	\$ 4,574,826	N/A	\$	\$	\$ 4,574,826
Money Market Mutual Funds	1,965,068	AAA		1,965,068	
California Community Foundation Investment Pool	38,422	N/A			38,422
U.S. Agency Obligations	3,003,752	N/A		3,003,752	
Commercial Paper	1,996,060	N/A			1,996,060
Certificates of Deposit	3,457,673	N/A			3,457,673
Held by Bond Trustee:					
Money Market Mutual Funds	16,345,808	N/A		16,345,808	
Investment Agreements	1,460,500	N/A			1,460,500
Total	\$ 32,842,109		\$ 0	\$ 21,314,628	\$ 11,527,481

Concentration of Credit Risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total City investments is as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Agency Obligations	\$ 2,001,341

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

3) CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Continued

As of June 30, 2019, all of the City's deposits with financial institutions were either under federal depository insurance limits or are held in collateralized accounts. City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy securities:

Investment Type	Report Amount
Money Market Mutual Funds	\$ 1,965,068
U.S. Agency Obligations	3,003,752
Commercial Paper	1,996,060
Certificates of Deposit	3,457,673
Held by Bond Trustee:	
Money Market Mutual Funds	16,345,808
Investment Agreements	1,460,500

Local Agency Investment Fund (LAIF)

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The City may invest up to \$65,000,000 in the fund for the City and \$65,000,000 for each eligible component unit. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California. The yield of LAIF during the quarter ended June 30, 2019 was 2.43%. The carrying value and estimated market value of the LAIF Pool at June 30, 2019 was \$105,633,660,465 and \$105,814,483,092, respectively. The City's share of the Pool at June 30, 2019 was approximately 0.0043 percent.

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling \$900,000,000 and asset-backed securities totaling \$977,182,000. LAIF's and the City's exposure to risk (credit, market or legal) is not currently available.

The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by Statute. LAIF is also regulated by California Government Code Section 16429.

4) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

4) FAIR VALUE MEASUREMENTS - Continued

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis at June 30, 2019, are as follows:

	Fair Value	Significant Other Observable Inputs (Level 2)	Uncategorized
Investments:			
State Investment Pool	\$ 4,574,826	\$	\$ 4,574,826
Money Market Mutual Funds	1,965,068		1,965,068
California Community Foundation Investment Pool	38,422		38,422
U.S. Agency Obligations	3,003,752	3,003,752	
Commercial Paper	1,996,060	1,996,060	
Certificates of Deposit	3,457,673	3,457,673	
Held by Bond Trustee:			
Money Market Funds	16,345,808		16,345,808
Investment Agreements	1,460,500		1,460,500
Total Investments	<u>\$ 32,842,109</u>	<u>\$ 8,457,485</u>	<u>\$ 24,384,624</u>

Fair values for investments are determined by using a matrix pricing technique. Matrix pricing is used to value securities based on the security's relationship to benchmark quoted prices. Uncategorized investments do not fall under the fair value hierarchy as there is no active market for the investments. Land held for development was acquired for the purpose of redevelopment rather than for income and profit. Therefore, land held for development is exempt under GASB 72 fair value measurements.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

5) INTERFUND ACTIVITY

Due to/from Other Funds

Amounts due to/from other funds represent short-term loans between funds to assist in covering current fiscal year expenditures (expenses). Due to/from other funds are as follows:

Funds	Receivable (Due from)	Payable (Due to)
Major Governmental Funds:		
General Fund	\$ 1,715,016 ⁽¹⁾	\$ 269,837
Mavericks Stadium	576	288,811
Non-Major Governmental Funds:		
Federal Grant		33,957
State/County Grants		639,319
Community Development Block Grant	350,276	386,957
Traffic Offender		8,118
Measure I 2010-2040	32,499	
Fiduciary Funds		
Luetke Foundation		10,565
Successor Agency		381,504
Agency Funds		79,299
Totals	<u>\$ 2,098,367</u>	<u>\$ 2,098,367</u>

⁽¹⁾ The General Fund receivable amounts include \$1,243,648 due from governmental funds, and \$471,368 from fiduciary funds.

Advances to/from Other Funds

The funds below have made/received advances that were not expected to be repaid within one year:

Funds	Receivable (Advances to)	Payable (Advances from)
Major Governmental Funds:		
General Fund	\$ 14,342,100 ⁽¹⁾	\$ 2,950,574
Mavericks Stadium		3,094,853
Non-major Governmental Funds:		
Drainage Impact	226,454	
Major Enterprise Funds:		
Public Utility Authority	2,779,659	8,778,543 ⁽²⁾
Fiduciary Funds:		
Successor Agency		2,524,243
Totals	<u>\$ 17,348,213</u>	<u>\$ 17,348,213</u>

⁽¹⁾ This amount includes \$2,524,243 of advances to the Successor Agency.

⁽²⁾ The current portion of \$1,876,950 is separated in the Proprietary Funds Statement of Net Position.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

5) INTERFUND ACTIVITY - Continued

Advances to/from Other Funds - Continued

General Fund Advances

The advances between the City of Adelanto and the Successor Agency were to provide the Successor Agency with funding for projects and have no stated interest rate. There is no future minimum debt service requirement as repayment will be made when funds are available. The outstanding balance of the advance was \$2,524,243 as of June 30, 2019. The General Fund also has an advance provided to the Public Utility Authority of \$1,478,216 related to water and wastewater operations. This advance is not expected to be repaid within a year and has no minimum required repayments or interest accrued on the loan.

The Mavericks Stadium Special Revenue Fund has an operating loan of \$3,094,853. The operating loan is not expected to be repaid within a year and have no minimum required repayments.

Water System Purchase Note. As part of the original purchase of the City's water operation by the Adelanto Water Authority, which was acquired by the Adelanto Public Utility Authority on February 1, 2000, the Adelanto Water Authority issued a note payable in the amount of \$34,113,079 with minimum annual payments of \$500,000 plus any additional funds available after payment of operating and debt service requirements of the Water Authority plus the establishment of a reasonable reserve. The original purchase note accrued interest at 7.5% per annum. On January 26, 1998, the Governing Board of the Water Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate the accrual of interest from July 1, 1996 until such time as all outstanding bonds are repaid, which at that time was scheduled for September 1, 2028. As per this agreement, the unpaid balance of this note at that time will accrue interest at 7.5%. Interest accrued through June 30, 1996 amounting to \$1,219,659 was unaffected by the purchase note amendment. In September 2005, the interest rate was amended to accrue on the unpaid balance at the rate of 5.0% per annum. Payments on the note payable are due quarterly each year. The outstanding balance on the Water System Purchase Note is \$813,619 at June 30, 2019.

The future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 813,619	\$	\$ 813,619
Total	\$ 813,619	\$ 0	\$ 813,619

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

5) INTERFUND ACTIVITY - Continued

Advances to/from Other Funds - Continued

Wastewater System Purchase Note. On November 1, 1996, the Adelanto Public Utility Authority entered into a purchase agreement with the City to purchase the City's wastewater operations. The Authority issued a note payable in the amount of \$10,267,874, with accrued interest at 7.5% per annum. On January 26, 1998, the governing Board of the Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate any accrual of interest payable to the City until such time as all outstanding bonds are repaid, which at that time was scheduled for November 1, 2026. As per this agreement, any unpaid balance at that time will accrue interest at 7.5%. In September 2005, the interest rate was amended to accrue on the unpaid balance at the rate of 5.0% per annum. Payments on the note payable are due quarterly each year. The outstanding balance on the Wastewater System Purchase Note is \$6,431,169 at June 30, 2019.

The future debt service requirements are as of follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,054,141	\$ 362,239	\$ 1,416,380
2021	1,961,149	268,851	2,230,000
2022	2,059,206	170,794	2,230,000
2023	1,356,673	67,834	1,424,507
Total	<u>\$ 6,431,169</u>	<u>\$ 869,718</u>	<u>\$ 7,300,887</u>

Drainage Impact Special Revenue Fund Advances

On November 12, 2013, an inter-fund loan agreement of \$300,000 was approved by the City. The Drainage Impact Special Revenue Fund loaned the General Fund \$114,000 and the Public Utility Authority \$186,000 for their respective portion on the purchase of financial and billing software. Interest on the loans accrues at an interest rate of 0.26% (LAIF interest rate as of the effective date). Payments are due annually of \$5,857 from the General Fund and \$9,556 from the Public Utility Authority. The outstanding balances are \$86,053 from the General Fund and \$140,401 from the Public Utility Authority as of June 30, 2019.

Public Utility Authority Advances

The General Fund has an operating loan of \$2,779,659 from the Public Utility Authority. This operating loan is not expected to be repaid within a year and has no minimum required repayments or interest accrued on the loan.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

5) INTERFUND ACTIVITY - Continued

Transfers

Transfers to/from other funds have been made in the normal course of business to assist the receiving fund in covering costs. Inter-fund transfers are as follows:

Funds	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 2,367,181	\$ 2,486,564 ⁽¹⁾
Maverick Stadium	2,486,454 ⁽¹⁾	
Non-Major Governmental Funds:		
Drainage Impact	627	
Gas Tax		680,000
TDA Article 8		20,000
Road Maintenance & Rehab SB-1		500,000
Public Safety ½ Cent		125,000
COPS Grant		100,000
Community Facilities District		20,000
LLMD Annexation		221,000
Major Enterprise Funds:		
Public Utility Authority		701,698 ⁽²⁾
Totals	<u>\$ 4,854,262</u>	<u>\$ 4,854,262</u>

⁽¹⁾ The transfers between the General Fund and the Maverick Stadium Special Revenue Fund was to provide amounts to make the payments on the litigation settlement with Main Street LLC.

⁽²⁾ Included in the Public Utility Authority transfers out is \$451,180 of interest paid to the General Fund on the water and wastewater systems note payable.

⁽³⁾ The remaining transfers were used to provide services and finance various programs which were mostly for street and public safety related expenditures.

6) SUCCESSOR AGENCY LOANS RECEIVABLE

The Adelanto Public Utility Authority purchased the Adelanto Public Financing Authority ("PFA") Local Agency Third Subordinated Revenue Bonds, 1995 Series C. These bonds are considered conduit debt (See Note 9) of the Adelanto PFA since the bond is secured from the loans with the Adelanto Improvement Agency. As of February 1, 2012, the Adelanto Improvement Agency was dissolved and the Successor Agency of the Adelanto Improvement Agency oversees the remaining activities of the former Adelanto Improvement Agency (See Note 15). Since the Adelanto PFA bonds are considered conduit debt, these amounts are reflected as loans receivable with the Successor Agency. The outstanding balance of these loans is \$12,116,378. This amount includes \$9,918,093 of accreted interest.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

7) CAPITAL ASSETS

The following is a summary of changes in Capital Assets for the year:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land and Rights of Way	\$ 15,988,452	\$ 405,000	\$	\$ 16,393,452
Construction in Progress	1,038,560		1,038,560	0
Total Capital Assets, Not Depreciated	<u>17,027,012</u>	<u>405,000</u>	<u>1,038,560</u>	<u>16,393,452</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	14,404,004	90,316	1,455,958	13,038,362
Machinery and Equipment	1,741,740	103,224	120,180	1,724,784
Vehicles	2,073,433	204,545		2,277,978
Infrastructure	98,774,235	4,933,063		103,707,298
Total Capital Assets, Being Depreciated	<u>116,993,412</u>	<u>5,331,148</u>	<u>1,576,138</u>	<u>120,748,422</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(7,867,901)	(342,386)	(601,381)	(7,608,906)
Machinery and Equipment	(1,615,125)	(24,295)	(79,591)	(1,559,829)
Vehicles	(1,887,980)	(48,833)		(1,936,813)
Infrastructure	(51,225,235)	(2,669,102)		(53,894,337)
Total Accumulated Depreciation	<u>(62,596,241)</u>	<u>(3,084,616)</u>	<u>(680,972)</u>	<u>(64,999,885)</u>
Total Capital Assets, Being Depreciated, Net	<u>54,397,171</u>	<u>2,246,532</u>	<u>895,166</u>	<u>55,748,537</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 71,424,183</u>	<u>\$ 2,651,532</u>	<u>\$ 1,933,726</u>	<u>\$ 72,141,989</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 82,936
Public Safety	56,114
Public Works	2,790,987
Parks and Recreation	154,579
Total Depreciation Expense - Governmental Activities	<u>\$ 3,084,616</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

7) CAPITAL ASSETS - Continued

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 908,300	\$	\$	\$ 908,300
Water Rights	3,124,800	3,876,000		7,000,800
Construction in Progress	0	285,357		285,357
Total Capital Assets, Not Depreciated	<u>4,033,100</u>	<u>4,161,357</u>	<u>0</u>	<u>8,194,457</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	20,933,701	38,400		20,972,101
Machinery and Equipment	8,763,905			8,763,905
Computer Equipment	341,081			341,081
Vehicles	32,325			32,325
Infrastructure	48,844,054	274,528		49,118,582
Total Capital Assets, Being Depreciated	<u>78,915,066</u>	<u>312,928</u>	<u>0</u>	<u>79,227,994</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(7,816,600)	(413,320)		(8,229,920)
Machinery and Equipment	(3,859,607)	(291,664)		(4,151,271)
Computer Equipment	(34,108)	(102,324)		(136,432)
Vehicles	(3,233)	(3,232)		(6,465)
Infrastructure	(13,603,482)	(765,511)		(14,368,993)
Total Accumulated Depreciation	<u>(25,317,030)</u>	<u>(1,576,051)</u>	<u>0</u>	<u>(26,893,081)</u>
Total Capital Assets, Being Depreciated, Net	<u>53,598,036</u>	<u>(1,263,123)</u>	<u>0</u>	<u>52,334,913</u>
Business-type Activities Capital Assets, Net of Depreciation ⁽¹⁾	<u>\$ 57,631,136</u>	<u>\$ 2,898,234</u>	<u>\$ 0</u>	<u>\$ 60,529,370</u>

Depreciation was charged to functions/programs as follows:

Business-type Activities:	
Public Utility Authority	<u>\$ 1,576,051</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,576,051</u></u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

8) LONG-TERM LIABILITIES

Activities relating to long-term liabilities for the year are presented as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences (Note 1.N)	\$ 284,632	\$ 63,484	\$ 71,158 ⁽¹⁾	\$ 276,958	\$ 69,240
Net Pension Liability (Note 11)	212,092	142,908	278,231	76,769	
Net OPEB Liability (Note 12)	2,077,059	69,019	78,595 ⁽¹⁾	2,067,483	
Claims Payable (Note 13)	163,186	184,347	55,454 ⁽¹⁾	292,079	65,340
Direct Borrowings:					
Note Payable	0	140,000		140,000	
Governmental Activities Long-term Liabilities	<u>\$ 2,736,969</u>	<u>\$ 599,758</u>	<u>\$ 483,438</u>	<u>\$ 2,853,289</u>	<u>\$ 134,580</u>
Business-type Activities:					
Compensated Absences (Note 1.N)	\$ 29,359	\$ 15,466	\$ 12,494 ⁽¹⁾	\$ 32,331	\$ 28,073
Net Pension Liability	127		127	0	
Fixed Rate Revenue Bonds,					
2014 Series A	12,030,000		775,000	11,255,000	815,000
Unamortized Premium	302,534		16,043	286,491	
Fixed Rate Refunding Bonds,					
2017 Series A	29,145,000			29,145,000	
Unamortized Premium	3,370,200		235,130	3,135,070	
Fixed Rate Refunding Bonds,					
2017 Series B	41,710,000		1,685,000	40,025,000	1,455,000
Unamortized Discount	(419,140)		(35,926)	(383,214)	
Business-type Activities Long-term Liabilities	<u>\$ 86,168,080</u>	<u>\$ 15,466</u>	<u>\$ 2,687,868</u>	<u>\$ 83,495,678</u>	<u>\$ 2,298,073</u>

⁽¹⁾ Each governmental or proprietary funds' liability for compensated absences is liquidated by the respective fund. The net OPEB obligation and claims payable is currently being liquidated by the General Fund.

Notes Payable

On October 29, 2018, the City entered into a note payable with Sovel Group, LLC for the purchase of property near the Adelanto Stadium. Interest on the note payable accrues at a rate of 5.00% per annum. Principal on the note payable is due three years from the agreement date with interest paid in semi-annual payments. Currently, there is no debt service schedule available. The outstanding balance on the note payable is \$140,000 at June 30, 2019.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

8) LONG-TERM LIABILITIES - Continued

Fixed Rate Revenue Bonds, 2014 Series A

On or about December 30, 2014, the Adelanto Public Utility Authority issued \$14,130,000 Fixed Rate Revenue Bonds, 2014 Series A, to pay costs related to a legal settlement with Ambac Assurance Corporation and to finance certain capital improvements. Interest on the bonds is payable July 1st and January 1st of each year. Interest on the bonds accrues at rates of 4.00% and 5.00% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$265,000 to \$1,045,000, commencing July 1, 2015 through July 1, 2039. The balance in the debt service reserve account as of June 30, 2019, is \$1,252,506, which is sufficient to cover the Bond Indenture Reserve Requirement.

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 815,000	\$ 542,375	\$ 1,357,375
2021	855,000	500,625	1,355,625
2022	900,000	456,750	1,356,750
2023	940,000	410,750	1,350,750
2024	990,000	362,500	1,352,500
2025-2029	2,180,000	1,343,500	3,523,500
2030-2034	1,770,000	931,250	2,701,250
2035-2039	2,275,000	428,625	2,703,625
2040	530,000	13,250	543,250
Total	\$ 11,255,000	\$ 4,989,625	\$ 16,244,625

Revenues Pledged

The Authority has pledged a portion of water and wastewater revenues to repay the 2014 Series A Fixed Rate Revenue Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$16,244,625 payable through fiscal year 2040. For the current year, principal and interest paid by the water and wastewater operating revenues was \$775,000 and \$582,125.

Fixed Rate Revenue Refunding Bonds, 2017 Series A

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$29,145,000 Fixed Rate Refunding Revenue Bonds, 2017 Series A, to refund a portion of the Authority's Fixed Rate Refunding Revenue Bonds, 2009 Series A. Interest on the bonds is payable July 1st and January 1st of each year. Interest on the bonds accrues at rate of 5.00% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$645,000 to \$5,150,000, commencing July 1, 2020 through July 1, 2039. The balance in the debt service reserve account as of June 30, 2019, is \$1,457,250, which is sufficient to cover the Bond Indenture Reserve Requirement.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

8) LONG-TERM LIABILITIES - Continued

Fixed Rate Revenue Refunding Bonds, 2017 Series A - Continued

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$	\$	\$
2021	645,000	1,441,125	2,086,125
2022	645,000	1,408,875	2,053,875
2023	645,000	1,376,625	2,021,625
2024	645,000	1,344,375	1,989,375
2025-2029	3,155,000	6,245,125	9,400,125
2030-2034	3,100,000	5,462,500	8,562,500
2035-2039	15,160,000	3,814,750	18,974,750
2040	5,150,000	128,750	5,278,750
Total	\$ 29,145,000	\$ 22,679,375	\$ 51,824,375

Revenues Pledged

The Authority has pledged a portion of water and wastewater revenues to repay the 2017 Series A Fixed Rate Revenue Refunding Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$51,824,375 payable through fiscal year 2040. For the current year, only interest was due and paid by water and wastewater operating revenues for \$1,469,394.

Fixed Rate Revenue Refunding Bonds, 2017 Series B

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$41,710,000 Fixed Rate Refunding Revenue Bonds, 2017 Series B, to refund a portion of the Authority's Fixed Rate Refunding Revenue Bonds, 2009 Series A. Interest on the bonds is payable July 1st and January 1st of each year. Interest on the bonds accrues at rate of 3% to 4.75% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$1,455,000 to \$3,610,000, commencing July 1, 2018 through July 1, 2035. The balance in the debt service reserve account as of June 30, 2019, is \$1,890,738, which is sufficient to cover the Bond Indenture Reserve Requirement.

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,455,000	\$ 1,672,772	\$ 3,127,772
2021	1,530,000	1,624,219	3,154,219
2022	1,615,000	1,572,156	3,187,156
2023	1,700,000	1,516,162	3,216,162
2024	1,795,000	1,453,878	3,248,878
2025-2029	10,650,000	6,113,419	16,763,419
2030-2034	14,270,000	3,410,384	17,680,384
2035-2036	7,010,000	337,963	7,347,963
Total	\$ 40,025,000	\$ 17,700,953	\$ 57,725,953

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

8) LONG-TERM LIABILITIES - Continued

Fixed Rate Revenue Refunding Bonds, 2017 Series B - Continued

Revenues Pledged

The Authority has pledged a portion of water and wastewater revenues to repay the 2017 Series B Fixed Rate Revenue Refunding Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$57,725,953 payable through fiscal year 2036. For the current year, principal and interest paid by the water and wastewater operating revenues was \$1,685,000 and \$1,735,332.

Defeased Debt

Fixed Rate Refunding Revenue Bonds, 2009 Series A

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$29,145,000 Fixed Rate Refunding Revenue Bonds, 2017 Series A with an interest rate of 5% and \$41,710,000 Fixed Rate Refunding Revenue Bonds, 2017 Series B with interest rates of 3% to 4.75% to advance refund the Fixed Rate Refunding Revenue Bonds, 2009 Series A. The net proceeds were deposited in an irrevocable trust to provide funds for the future debt service payment on the refunded bonds. Accordingly, those trust account assets and the liability for those defeased bonds are not included in the Authority's financial statements. At June 30, 2019, \$67,530,000 of defeased bonds remain outstanding.

9) CONDUIT DEBT

Community Facilities District Bonds

Bonds issued for improvements in certain special assessment districts in accordance with the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders.

Neither the faith and credit, nor the general taxing power, of the City of Adelanto have been pledged to the payment of the bonds. Therefore, none of the following special assessment bonds have been included in the accompanying financial statements.

District Bonds	Amount of Issue	Outstanding at End of Year
Community Facilities District No. 2006-2 IA1, 2015 Special Tax Bonds	\$ 3,575,000	\$ 3,510,000
Community Facilities District No. 2006-2 IA2, 2015A Special Tax Bonds	3,715,000	3,715,000
Community Facilities District No. 2006-2 IA2, 2015B Special Tax Bonds	2,480,000	2,395,000
Total	<u>\$ 9,770,000</u>	<u>\$ 9,620,000</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

9) CONDUIT DEBT - Continued

Adelanto Public Financing Authority Bonds

The Adelanto Public Financing Authority (the “PFA”) issued local agency subordinated revenue bonds to provide loans to the former Adelanto Improvement Agency. The loans were used to finance various redevelopment activities which include refunding previous long-term liabilities. The bonds are secured from the former Adelanto Improvement Agency (Successor Agency) loan payments (tax revenues). See Note 15. The Adelanto PFA also issued local agency revenue bonds which were used to purchase or refund Assessment District bonds. The local agency revenue bonds are secured from payments on the Assessment District bonds (special assessments on property owners).

Neither the faith and credit, nor the general taxing power, of the City of Adelanto have been pledged to the payment of the bonds. The Adelanto PFA has no taxing power. Therefore, none of the following bonds have been included in the accompanying financial statements.

Local Agency Subordinated Revenue Bonds - Successor Agency	Amount of Issue	Outstanding at End of Year
Local Agency Taxable Subordinated Revenue Bonds, 1995 Series A	\$ 7,400,000	\$ 2,460,000
Local Agency 2 nd Subordinated Revenue Bonds, 1995 Series B	17,560,000	11,295,000
Local Agency 3 rd Subordinated Revenue Bonds, 1995 Series C	11,786,856	12,116,378 ⁽¹⁾
	<u>\$ 36,746,856</u>	<u>\$ 25,871,378</u>

⁽¹⁾ This amount includes \$9,918,093 of accreted interest.

10) NET POSITION

The details of restricted net position for other purposes, in the Statement of Net Position, are presented below:

Description	Statement of Net Position	
	Governmental Activities	Business-type Activities
Air Quality Management	\$ 133,541	\$
Law Enforcement	319,957	
Public Safety	146,168	
Lighting and Landscape Maintenance	305,930	
Community Benefits		31,711
	<u>905,596</u>	<u>31,711</u>
Total	<u>\$ 905,596</u>	<u>\$ 31,711</u>

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

11) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

A) General Information about the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the City's Cost-Sharing Multiple Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors two rate plans (one miscellaneous and one safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013 ⁽¹⁾
Hire Date		
Benefit Formulas	2.0% at 60	2.0% at 62
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-63+	52-67+
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	7%	6.25%
Required Employer Contribution Rates	7.634%	6.842%

⁽¹⁾For employees hired on or after January 1, 2013, they are included in their respective PEPPRA (California Public Employees' Pension Reform Act) Plans with the above provisions and benefits.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

11) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued

A) General Information about the Pension Plans - Continued

	Safety⁽²⁾	
	Prior to January 1, 2013	On or After January 1, 2013 ⁽¹⁾
Hire Date		
Benefit Formulas	2.0% at 55	N/A
Benefit Vesting Schedule	5 Years Service	N/A
Benefit Payments	Monthly for Life	N/A
Retirement Age	50-55+	N/A
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.0%	N/A
Required Employee Contribution Rates	N/A	N/A
Required Employer Contribution Rates	N/A	N/A

⁽²⁾Note the City currently does not have any safety employees. The Safety Plan represents former safety employees.

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The contributions to the Plan for the year ended June 30, 2019 were \$202,218.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported a net pension liability (asset) for its proportionate shares of the net pension liability of the Plan of \$70,046. This was the net of governmental activities having a net pension liability of \$76,769 and the business-type activities have a net pension liability (asset) of \$(6,723).

The City net pension liability (asset) for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard updated procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability (asset) for the Plan as of June 30, 2018 and 2019 was as follows:

Proportion		Change Increase (Decrease)
Fiscal Year June 30, 2019	Fiscal Year June 30, 2018	
0.00073%	0.00214%	(0.00141)%

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

11) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

For the year ended June 30, 2019, the City recognized pension expense (credit) of \$(51,010). At June 30, 2019, City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 202,218	\$
Differences between actual and expected experience	1,283	
Changes in assumptions	5,993	(113)
Change in employer's proportion and differences between the employer's contributions and the employer's Proportionate share of contributions	445,931	(318,083)
Net differences between projected and actual earnings on plan investments	575	
Total	<u>\$ 656,000</u>	<u>\$ (318,196)</u>

The City reported \$202,218 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2020	\$ 6,938
2021	53,998
2022	75,021
2023	(371)

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

11) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality ⁽¹⁾	CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

⁽¹⁾The Mortality Rate Table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumptions - The discount rate remained the same at 7.15%.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

11) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class ^(a)	New Strategic Allocation	Real Return Years 1 - 10 ^(b)	Real Return Years 11+ ^(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Infrastructure and Forestland	-	-	5.36%
Liquidity	1.0%	-	-0.92%
Total	100%		

^(a)In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.0% used for this period.

^(c) An expected inflation of 2.92% used for this period.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of project benefit payments to determine the total pension liability.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

11) CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net position liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalPERS Pension Plan
	<hr/>
1% Decrease	6.15%
Net Pension Liability (Asset)	\$ 1,535,059
Current Discount Rate	7.15%
Net Pension Liability (Asset)	\$ 70,046
1% Increase	8.15%
Net Pension Liability (Asset)	\$ (1,138,903)

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$36,846, which is included in accrued liabilities, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

12) OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City's defined benefit post employment healthcare plan, (City of Adelanto Retiree Healthcare Plan, CARHP), provides medical benefits to eligible retired employees and qualified dependents. CARHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. CARHP selects optional benefit provisions from the benefit menu by contract with CalPERS. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

12) OTHER POST EMPLOYMENT BENEFITS - Continued

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. These benefits are for employees who have worked for the City for a period of ten years and are at least 50 years of age when they separate from the service of the City, and were employed by the City on July 1, 2004. Employees hired after July 1, 2004 are not eligible for the retiree medical benefits under the plan. The table below is a summary of the retiree medical benefits.

<u>Description</u>	
Benefit Types Provided	Medical Only
Duration of Benefits	Lifetime
Required Service	10 Years
Minimum Age	50
Dependent Coverage	No
City Contribution %	100%
City Cap	\$900 Per Month ⁽¹⁾

⁽¹⁾ Former City Correctional Facility employees have a cap of \$420 per month.

Employees Covered

As of June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the CARHP:

Active employees	13
Inactive employees entitled to but not yet receiving benefit payment	0
Inactive employees or beneficiaries currently receiving benefits	39
Total	<u>52</u>

Contributions

Currently, the City is under a pay-as-you-go method under which contributions to the plan are generally made the same time and in the same amount as retiree benefits and expenses come due. For the fiscal year ended June 30, 2019, the City's cash contributions were \$208,527.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

12) OTHER POST EMPLOYMENT BENEFITS - Continued

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 based on the following actuarial methods and assumptions:

Actuarial Assumptions

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Years: 20 as of July 1, 2015
	Method: Closed, Level Percent of Pay
Asset Valuation Method	N/A
Discount Rate	3.62%
Investment Rate of Return	N/A
General Inflation	2.50%
Salary Increases	2.75%
Healthcare Cost Trend	6.00% in the first year, trending down to 3.84% over 55 years
Mortality	Mortality rates were based on tables from CalPERS OPEB Assumption Model for Public Agencies and Schools, revised May 14, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.62 percent. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date. Currently, the City is under a pay-as-you-go method, and the CARHP has no fiduciary net position.

Changes in the OPEB Liability

The changes in the net OPEB liability for CARHP are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 2,077,059	\$ 0	\$ 2,077,059
Changes Recognized for the Measurement Period:			
Service Cost	23,571		23,571
Interest	73,383		73,383
Differences Between Expected and Actual Experience	(15,328)		(15,328)
Changes of Assumptions	(12,607)		(12,607)
Benefit Payments	(78,595)		(78,595)
Net Changes	(9,576)	0	(9,576)
Balance at June 30, 2019 (Measurement Date June 30, 2018)	\$ 2,067,483	\$ 0	\$ 2,067,483

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

12) OTHER POST EMPLOYMENT BENEFITS - Continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Net OPEB Liability	\$ 2,342,337	\$ 2,067,483	\$ 1,839,569

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 1,882,362	\$ 2,067,483	\$ 2,243,425

OPEB Plan Fiduciary Net Position

Currently, the City is under a pay-as-you-go method, and the CARHP has no fiduciary net position.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Differences Between Expected and Actual Experience	1.8 years
Changes of Assumptions	1.8 years

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

12) OTHER POST EMPLOYMENT BENEFITS - Continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$62,894. As of fiscal year ended June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 208,527	\$
Changes in Assumptions		(5,603)
Differences Between Actual and Expected Experience		(6,812)
Total	\$ 208,527	\$ (12,415)

The \$208,527 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ (12,415)
2021	0
2022	0
2023	0
2024	0

13) RISK MANAGEMENT

The City is a member of Public Entity Risk Management Authority (PERMA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-two participating member agencies, twenty-two cities, three transit agencies and seven special districts. PERMA is governed by a Board of Directors which consists of one director from each member agency. The City participates in the liability, workers' compensation, employment practices liability, property insurance, auto physical damage, cyber liability, and crime coverage insurance programs of PERMA. Separate financial statements of PERMA may be obtained at 36-951 Cook Street, Suite 101, Palm Desert, California, 92211.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a self-insured retention of \$25,000 and participates in risk sharing pools for losses up to \$1 million followed by PERMA's members in the CSAC Excess Insurance Authority for excess liability coverage.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

13) RISK MANAGEMENT - Continued

The workers' compensation program provides statutory limits per acceded for workers' compensation and \$5 million each acceded for employers' liability. The City self-insures up to \$250,000 per accident or employee and participates in a risk sharing pool for losses up to \$500,000 followed by PERMA's membership in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for excess coverage.

The employee practices liability program provides up to \$50 million coverage for employment related lawsuits, such as wrongful termination and discrimination. The City self-insures up to \$250,000 per occurrence and participates in the Employment Risk Management Authority (ERMA) for losses up to \$1 million. Coverage above \$1 million and up to \$50 million is available through PERMA's membership in the CSAC EIA for excess liability coverage.

The property insurance, auto physical damage and cyber liability programs are group purchased under a master property insurance policy with accumulated values from all participants effecting lowers rates and broader coverage for all members. The crime coverage is also group purchased under a master insurance poly and provides up to \$5,000,000 for employee theft, forgery or alteration, computer fraud and funds transfer funds with a deductible of \$2,500.

PERMA also provides a non-risk sharing "deductible", or banking, pool for claims within the SIR level. Annual contributions are deposited with the PERMA from which claims are paid. Any excess funds held by PERMA for the City at year-end are recorded as "Deposits with Other Agencies" within the General Fund. Any deficit funds are recorded as a liability within the General Fund. At June 30, 2019, the City had an excess of funds of \$594,688 for such claims.

Under the liability programs risk-sharing pool, each member's share of total claims liabilities, including IBNR's, is determined by the application of risk factors to specific characteristics of each member which provides the relative share of each member in total losses of PERMA. These losses are paid from premiums charged to the members which are established at levels to fund all claims costs. The claims liability is estimated based on actuarial studies of the liability and workers' compensation program using a 2% discount rate.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Claims Payable, Beginning of Year	\$ 163,186	\$ 217,068
Incurring Claims (Including IBNRs)	135,092	117,393
Claim Payments	(55,454)	(66,039)
Changes in Estimates	49,255	(105,236)
Claims Payable, End of Year	<u>\$ 292,079</u>	<u>\$ 163,186</u>

During the past three fiscal years none of the above programs of protection have had settlements or judgements that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

14) COMMITMENTS AND CONTINGENCIES

General Litigation

In the normal course of operations, the City has been subjected to certain routine litigation matters. Except for the matters noted below, the City's litigation centers around contractor/developers, former employees and other operating matters. The City reported a litigation liability of \$500,000 related to two open cases regarding terminations. The City has a maximum liability of \$250,000 per case. In the opinion of management, the amount of losses that might be sustained, if any, from any remaining cases the City is subject to would not materially affect the financial position of the City.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grant agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's belief that any required reimbursements will not be material.

Main Street, California, LLC

On February 27, 2019, the City entered into a settlement agreement with Main Street, California, LLC regarding the Public Facility Use Agreement dated as of August 22, 2012 for the right to occupy and use of the baseball stadium located at 12000 Stadium Way, Adelanto, California. As part of the settlement agreement, the City will pay Main Street, California, LLC \$3,800,000. Within 5 business days of the approval by the City and execution of the agreement, the City will make a payment of \$1,500,000. The remaining amounts will be paid over time with monthly payments of \$95,833 from March 1, 2019 to February 1, 2021. The outstanding balance is \$1,916,667 at June 30, 2019.

Victor Valley Economic Development Authority

The City of Adelanto was initially part of the Victor Valley Economic Development Authority (VVEDA), but left the VVEDA for a period of time. Adelanto became a part of VVEDA again in 2000, and up until that point, the other members of VVEDA had been contributing to VVEDA financially to keep the agency afloat. The VVEDA was dissolved as of February 1, 2012 along with all other California redevelopment agencies. There is a possibility of amounts that may be owed to the former VVEDA (Successor Agency to the VVEDA) since the City was a member agency of the former VVEDA.

15) SUCCESSOR AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Adelanto (City) that previously had reported a redevelopment agency within the reporting entity as a blended component unit. The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-001. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

15) SUCCESSOR AGENCY - Continued

The Bill directs that State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Notes Receivable

The notes receivable consists of mostly agreements for the sale of land parcels by the former Adelanto Improvement Agency. Interest on the agreements varies from no interest to 5% per annum. The outstanding balance of notes receivable was \$542,355 as of June 30, 2019.

Successor Agency Long-term Liabilities

The following is a summary of the changes in the Successor Agency long-term liabilities for the year:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Tax Allocation Bonds:				
Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B	\$ 6,065,000	\$	\$ 830,000	\$ 5,235,000
Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds	2,870,000		80,000	2,790,000
Discounts	(177,490)		(28,201)	(149,289)
Total Tax Allocation Bonds	8,757,510	0	881,799	7,875,711
Loans Payable:				
Adelanto Public Financing Authority	26,923,422	947,882 ⁽¹⁾	1,999,926	25,871,378
Discounts	(60,311)		(6,577)	(53,734)
Total Loans Payable	26,863,111	947,882	1,993,349	25,817,644
Other Long-term Liabilities:				
Intermountain Power Agency Settlement Agreement	1,989,390			1,989,390
San Bernardino County Tax Increment Loans	13,356,686			13,356,686
Total Other Long-term Liabilities	15,346,076	0	0	15,346,076
Total Long-term Liabilities	\$ 50,966,697	\$ 947,882	\$ 2,875,148	\$ 49,039,431

⁽¹⁾This amount represents accreted interest on the loan related to the Adelanto Public Financing Authoring Local Agency Third Subordinated Revenue Bonds, 1995 Series C.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

15) SUCCESSOR AGENCY - Continued

Tax Allocations Bonds

Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B

On or about December 30, 1993, the Adelanto Improvement Agency issued \$15,095,983 Tax Allocation Refunding Bonds, 1993 Series B, to advance refund a portion of the outstanding 1990 Adelanto Improvement Project Tax Allocation Bonds, 1991 Adelanto Improvement Project Tax Allocation Bonds and the 1993A Adelanto Improvement Project Subordinated Tax Allocation Bonds. Interest on the bonds is payable June 1st and December 1st of each year. Interest on the remaining term bonds accrues at a rate of 5.50% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$175,000 to \$1,160,000, commencing December 1, 2002 through December 1, 2023. The balance of debt service reserve account as of June 30, 2019, is \$ 1,232,684 which is sufficient to cover the Bond Indenture Reserve Requirement.

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 940,000	\$ 262,075	\$ 1,202,075
2021	990,000	209,000	1,199,000
2022	1,045,000	153,038	1,198,038
2023	1,100,000	94,050	1,194,050
2024	1,160,000	31,900	1,191,900
Total	\$ 5,235,000	\$ 750,063	\$ 5,985,063

Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds

On or about December 19, 2007, the Adelanto Improvement Agency issued \$3,560,000 Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds to fund redevelopment projects of the Agency, fund the reserve requirement and pay the costs of issuance on the bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the remaining term bonds accrues at rates between 4.00% and 6.00% per annum. Principal on the bonds are payable in annual installments ranging from \$55,000 to \$235,000, commencing September 1, 2008 through September 1, 2037. The balance of debt service reserve account as of June 30, 2019, is \$254,039, which is sufficient to cover the Bond Indenture Reserve Requirement.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

15) SUCCESSOR AGENCY - Continued

Tax Allocations Bonds - Continued

Adelanto Improvement Project No. 3 2007 Tax Allocation Bonds - Continued

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 85,000	\$ 162,810	\$ 247,810
2021	90,000	158,215	248,215
2022	95,000	153,265	248,265
2023	100,000	147,950	247,950
2024	105,000	142,050	247,050
2025-2029	620,000	606,000	1,226,000
2030-2034	830,000	389,400	1,219,400
2035-2038	865,000	107,250	972,250
Total	<u>\$ 2,790,000</u>	<u>\$ 1,866,940</u>	<u>\$ 4,656,940</u>

Loans Payable to the Adelanto Public Financing Authority

The Adelanto Public Financing Authority (the "Authority") has issued Local Agency Subordinated Revenue Bonds for financing projects of the former Adelanto Improvement Agency (the "Successor Agency") and to provide funds for the various debt obligations of the Successor Agency. The Successor Agency has entered into loan agreements with the Authority which mirror the bonds issued by the Authority except for Local Agency Third Subordinated Revenue Bonds, 1995 Series C which require prepayments on the Authority's capital appreciation bonds. Concurrent with the execution and delivery of the loan agreements, the Authority issued the aggregate principal amount of its Local Agency Subordinated Revenue Bonds to the Successor Agency. See Note 9.

The following table represents the balance of the outstanding loans payable to the Authority:

	Amount Issued	Loans Payable End of Year
1995 Series A Issue	\$ 7,400,000	\$ 2,460,000
1995 Series B Issue	17,560,000	11,295,000
1995 Series C Issue	11,786,856	12,116,378 ⁽¹⁾
Total	<u>\$ 36,746,856</u>	<u>\$ 25,871,378</u>

⁽¹⁾ This amount includes accreted interest of \$9,918,093.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

15) SUCCESSOR AGENCY - Continued

Loans Payable to the Adelanto Public Financing Authority - Continued

Local Agency Taxable Subordinated Revenue Bonds, 1995 Series A

On or about January 9, 1996, the Adelanto Public Financing Authority (the "Authority"), issued \$7,400,000 Local Agency Taxable Subordinated Revenue Bonds, 1995 Series A, to provide funds (Agency loan) to the Successor Agency to advance refund the Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B and the Adelanto Improvement Project Subordinated Tax Allocation Refunding and Improvements Bonds, 1993 Series C. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates between 5.60% and 7.20% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$15,000 to \$1,275,000, commencing September 1, 1997 through September 1, 2025. The balance of debt service reserve account as of June 30, 2019, is \$747,060, which is sufficient to cover the Bond Indenture Reserve Requirement.

The future debt service requirements for the loans payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$	\$ 177,120	\$ 177,120
2021		177,120	177,120
2022		177,120	177,120
2023		177,120	177,120
2024		177,120	177,120
2025-2026	2,460,000	180,360	2,640,360
Total	\$ 2,460,000	\$ 1,065,960	\$ 3,525,960

Local Agency Second Subordinated Revenue Bonds, 1995 Series B

On or about January 9, 1996, the Adelanto Public Financing Authority (the "Authority"), issued \$17,560,000 Local Agency Second Subordinated Revenue Bonds, 1995 Series B, to provide funds (Agency loan) to the Successor Agency to advance refund the Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B and the Adelanto Improvement Project Subordinated Tax Allocation Refunding and Improvements Bonds, 1993 Series C. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates between 5.05% and 6.30% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$160,000 to \$2,460,000, commencing September 1, 1998 through September 1, 2028. The balance of debt service reserve account as of June 30, 2019, is \$1,460,508, which is sufficient to cover the Bond Indenture Reserve Requirement.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

15) SUCCESSOR AGENCY - Continued

Loans Payable to the Adelanto Public Financing Authority - Continued

Local Agency Second Subordinated Revenue Bonds, 1995 Series B - Continued

The future debt service requirements for the loans payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 500,000	\$ 695,835	\$ 1,195,835
2021	535,000	663,233	1,198,233
2022	565,000	628,582	1,193,582
2023	605,000	591,728	1,196,728
2024	645,000	552,352	1,197,352
2025-2029	8,445,000	1,646,348	10,091,348
Total	\$ 11,295,000	\$ 4,778,078	\$ 16,073,078

Local Agency Third Subordinated Revenue Bonds, 1995 Series C

On or about January 9, 1996, the Adelanto Public Financing Authority (the "Authority"), issued \$11,786,856 Local Agency Taxable Third Subordinated Revenue Bonds (Capital Appreciation Bonds), 1995 Series C, to provide funds to the Successor Agency to advance refund the Adelanto Improvement Project Tax Allocation Refunding Bonds, 1993 Series B and the Adelanto Improvement Project Subordinated Tax Allocation Refunding and Improvements Bonds, 1993 Series C. Interest on the bonds is compounded September 1st and March 1st of each year and payable at maturity. Interest on the bonds accrues at a rate of 7.50% per annum. Principal on the bonds and all outstanding interest are due September 1, 2028. Principal on the Agency loans are payable vary from \$94,006 to \$1,081,968 beginning September 1, 1996 through September 1, 2028. The outstanding balance at June 30, 2019 is \$2,198,285 with accreted interest payable of \$9,918,093.

The future debt service requirements for the loans payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 274,786	\$ 1,321,559	\$ 1,596,345
2021	263,939	1,386,635	1,650,574
2022	253,544	1,453,130	1,706,674
2023	242,697	1,515,770	1,758,467
2024	232,754	1,582,543	1,815,297
2025-2029	930,565	7,947,877	8,878,442
Total	\$ 2,198,285	\$ 15,207,514	\$ 17,405,799

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

15) SUCCESSOR AGENCY - Continued

Other Long-term Liabilities

Intermountain Power Agency Settlement Agreement

The former Adelanto Improvement Agency entered into an agreement with the Intermountain Power Agency (IPA) in April 1993 regarding reimbursement of certain incremental property taxes generated by parcels owned by the IPA within the Agency project areas for 1992 and prior years. The IPA had filed appeals relating to the assessed value of these parcels for 1989 through 1992. As a condition of the agreement with the Agency, the IPA agreed to withdraw such appeals. The IPA filed an appeal for the 1993 assessed value, which was granted in September 1997. The IPA also filed appeals for fiscal years 1995 and 1996.

The agreement states that if the IPA seeks a reassessment of the assessed value of the parcels (i.e., the 1993 appeal) and is successful in any future claim resulting in a reduction in property taxes assessed by the County or other taxing entity, the Agency agrees to reimburse the IPA for those amounts (to a maximum of \$2,200,000) that the IPA calculates that it would have lost in refunds as a result of dismissing the appeals for 1992 and prior. The reimbursement is to be paid by the Agency each year, beginning 90 days from a final decision by the County, resulting in a reduced tax assessment, in an annual amount equal to \$78,751 multiplied by a "Fractional Amount" as defined in the agreement. The term "Fractional Amount" has been determined to be the amount of the actual reduction in the tax assessment as determined by the County divided by an amount equal to the reduction in such tax assessment sought by the IPA.

Amounts due under the agreement are payable annually beginning 90 days after the final decision and continuing on or before September 30 of each year until the obligation (\$2,200,000 multiplied by the "Fractional Amount") is paid in full. Amounts due to the IPA under this agreement are subordinate to all tax allocation bonds of the Agency, whenever incurred. Based on the assessment reduction received by the IPA for 1993, the liability that the Agency has incurred under this agreement is \$1,989,390. Scheduled payments have been deferred by the Agency due to subordination to the tax allocation bonds outstanding. Since the Agency was principal beneficiary of such property taxes, the full amount of such payments has been established as a long-term liability in the financial statements as of June 30, 2019.

San Bernardino County Tax Increment Loans

During fiscal year 1996, the former Redevelopment Agency and San Bernardino County amended the pass-through agreement for incremental property taxes in the Project Area. Under the revised agreement, the Agency is required to relinquish approximately 33% of incremental property taxes to the County, of which approximately one-half (16.26%) would be subordinate to the Agency's existing long-term debt. The County will loan to the Agency, at the rate of 7% per annum, the amount of the deferred incremental property taxes needed to meet debt service requirements on the refunding bonds plus amounts needed up to \$100,000 annually, to administer the Agency's long-term debt. Any such loans are subordinate to the 1995 Series A, B, and C of the Adelanto Public Financing Authority refunding bonds. Currently, the Successor Agency and the County of San Bernardino are in litigation over the estimated amounts outstanding. The outstanding amounts reflect the amounts owed estimated by the County of San Bernardino. The outstanding balance on the loans at June 30, 2019 was \$13,356,686 with interest payable of \$24,787,519.

City of Adelanto, California
Notes to Financial Statements
Year Ended June 30, 2019

15) SUCCESSOR AGENCY - Continued

Contingencies

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority or other authority that would resolve this issue unfavorable to the City.

16) SUBSEQUENT EVENTS

During the fiscal years 2020 and 2021, the City entered into settlement agreements with former employees.

On March 19, 2020, the Governor of the State of California issued a Stay at Home Order for all California residences and nonessential services until further notice. This order was in response to the COVID-19 outbreak which the World Health Organization has characterized as pandemic. The stock markets subsequently were affected by large declines and volatility. The impact of COVID-19 on the City's operational and financial performance is uncertain at this time.

The City is required to implement certain Government Accounting Standard Board (GASB) Statements which could have an impact on the financial statements. See Note 1B.

REQUIRED SUPPLEMENTARY INFORMATION

City of Adelanto, California
Schedule of the City's Proportionate Share of the Net Pension Liability
CalPERS Pension Plan
Last Ten Years⁽¹⁾
As of June 30, 2019

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2015	(0.00747)%	\$ (513,066)	\$ 1,823,881	(28.13)%	(6.22)%
2016	0.00005%	\$ 4,288	\$ 1,651,349	0.26%	99.95%
2017	0.00214%	\$ 212,219	\$ 2,011,038	10.55%	97.85%
2018	0.00214%	\$ 212,219	\$ 2,011,038	10.55%	97.85%
2019	0.00073%	\$ 70,046	\$ 2,144,959	2.61%	99.35%

Notes to Schedule:

Benefit Changes. In fiscal years 2015-2019, there was no benefit terms modified.

Changes in Assumptions. In 2015, there was a change in assumptions regarding the discount rate. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. In 2017, the discount rate was reduced from 7.65% to 7.15%.

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.
- (2) The information for fiscal years 2017 and 2018 is the same due to the timing of the actuarial valuation. Fiscal year 2017 used the valuation as of June 30, 2017, since it was available at the time the financial statements were issued. For most years, the actuarial valuations are one year behind due to their availability.

City of Adelanto, California
Schedule of Contributions
CalPERS Pension Plan
Last Ten Years*
As of June 30, 2019

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 183,392	\$ (183,392)	\$ 0	\$ 1,823,881	10.06%
2016	\$ 120,950	\$ (120,957)	\$ (8)	\$ 1,651,349	7.32%
2017	\$ 147,493	\$ (147,496)	\$ (3)	\$ 2,011,038	7.33%
2018	\$ 198,968	\$ (198,999)	\$ (32)	\$ 2,684,367	7.41%
2019	\$ 202,155	\$ (202,218)	\$ (62)	\$ 2,144,959	9.43%

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

City of Adelanto, California
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios
For the Measurement Periods Ended June 30

Measurement Period	2017	2018
Total OPEB Liability		
Service Cost	\$ 22,912	\$ 23,571
Interest on the Total OPEB Liability	72,802	73,383
Actual and Expected Experience Difference	56,642	(15,328)
Changes in Assumptions	(98,357)	(12,607)
Changes in Benefit Terms	0	0
Benefit Payments	(81,502)	(78,595)
	<hr/>	<hr/>
Net Change in Total OPEB Liability	(27,503)	(9,576)
Total OPEB Liability - Beginning	2,104,562	2,077,059
	<hr/>	<hr/>
Total OPEB Liability - Ending (a)	\$ 2,077,059	\$ 2,067,483
	<hr/>	<hr/>
Plan Fiduciary Net Position		
Contribution - Employer	\$ 0	\$ 0
Net Investment Income	0	0
Benefit Payments	0	0
Administrative Expense	0	0
	<hr/>	<hr/>
Net Change in Plan Fiduciary Net Position	0	0
Plan Fiduciary Net Position - Beginning	0	0
	<hr/>	<hr/>
Plan Fiduciary Net Position - Ending (b)	\$ 0	\$ 0
	<hr/>	<hr/>
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ 2,077,059	\$ 2,067,483
	<hr/>	<hr/>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0%	0%
Covered-employee Payroll	\$ 1,024,839	\$ 1,053,022
Net OPEB Liability as a Percentage of Covered-employee Payroll	202.67%	196.3%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

City of Adelanto, California
Schedule of Contributions
Retiree Health Benefit Plan
Last Ten Fiscal Years
As of June 30, 2019

Fiscal Year Ended June 30,	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution (ADC)	\$ N/A	\$ N/A
Contributions in Relation to the ADC	N/A	N/A
Contribution Deficiency (Excess)	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered-Employee Payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:

For the fiscal years 2018 and 2019, the City did not have an actuarially determined contribution (ADC) calculated.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information become available.

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 7,869,260	\$ 7,195,000	\$ 8,283,209	\$ 1,088,209
Licenses, Permits and Fees	3,328,950	2,978,150	2,305,820	(672,330)
Fines, Forfeitures and Penalties	74,785	153,500	177,589	24,089
Investment Earnings	654,000	563,000	228,056	(334,944)
Charges for Current Services	2,178,150	1,062,610	1,763,435	700,825
Intergovernmental Revenues	26,000	21,676	70,339	48,663
Miscellaneous	154,000	22,209	302,553	280,344
Total Revenues	14,285,145	11,996,145	13,131,001	1,134,856
EXPENDITURES				
Current:				
General Government:				
City Council	139,851	139,851	94,506	45,345
Administration	624,920	667,638	555,985	111,653
Finance	569,910	923,350	777,248	146,102
City Attorney	740,000	1,361,000	1,562,777	(201,777)
Human Resources	7,800	40,000	75,207	(35,207)
Information Technology	300,312	469,908	399,995	69,913
Non-Department	1,118,986	1,221,300	1,315,831	(94,531)
Vehicle Maintenance	148,308	161,934	116,648	45,286
Total General Government	3,650,087	4,984,981	4,898,197	86,784
Public Safety:				
Police	6,232,760	6,272,310	6,223,801	48,509
Fire	4,516,855	4,510,755	4,511,488	(733)
Code Enforcement	601,872	515,063	434,889	80,174
Animal Control	126,939	144,942	138,195	6,747
Public Safety			68,674	(68,674)
Total Public Safety	11,478,426	11,443,070	11,377,047	66,023
Public Works:				
Streets	986,897	825,657	623,204	202,453
Facility Maintenance	328,159	409,819	325,122	84,697
LLMD	167,854	580,991	638,411	(57,420)
Building and Safety	423,302	476,253	402,361	73,892
Engineering	553,194	449,194	582,450	(133,256)
Public Services			124,509	(124,509)
Total Public Services	2,459,406	2,741,914	2,696,057	45,857

Continued

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund - Continued
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Community Development:				
Planning and Economic Development	\$ 1,023,353	\$ 927,504	\$ 924,998	\$ 2,506
Community Services			28,995	(28,995)
Total Community Development	1,023,353	927,504	953,993	(26,489)
Parks and Recreation:				
Parks and Grounds	333,541	398,544	337,360	61,184
Senior Center	10,216	44,116	32,944	11,172
Community Center	3,455	14,155	15,865	(1,710)
Total Parks and Recreation	347,212	456,815	386,169	70,646
Capital Outlay:				
Information Technology	79,000	84,000	83,986	14
Non-Department	23,000	102,884	386,117	(283,233)
Police		29,600	14,800	14,800
Streets	2,500			0
Total Capital Outlay	104,500	216,484	484,903	(268,419)
Total Expenditures	19,062,984	20,770,768	20,796,366	(25,598)
Excess (Deficiency) of Revenues over Expenditures	(4,777,839)	(8,774,623)	(7,665,365)	1,109,258
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	1,000,000	1,000,000	998,573	(1,427)
Transfers In	5,319,434	3,699,819	2,367,181	(1,332,638)
Transfers Out	(397,000)	(215,500)	(2,486,564)	(2,271,064)
Total Other Financing Sources (Uses)	5,922,434	4,484,319	879,190	(3,605,129)
Net Change in Fund Balance	<u>\$ 1,144,595</u>	<u>\$ (4,290,304)</u>	<u>(6,786,175)</u>	<u>\$ (2,495,871)</u>
Fund Balance - Beginning			19,876,138	
Fund Balance - Ending			<u>\$ 13,089,963</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Mavericks Stadium Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Charges for Current Services	\$ 522,000	\$ 130,919	\$ 129,617	\$ (1,302)
Miscellaneous	3,000	1,000		(1,000)
Total Revenues	525,000	131,919	129,617	(2,302)
EXPENDITURES				
Current:				
Parks and Recreation	525,000	2,483,773	4,327,220	(1,843,447)
Total Expenditures	525,000	2,483,773	4,327,220	(1,843,447)
Excess (Deficiency) of Revenues over Expenditures	0	(2,351,854)	(4,197,603)	(1,845,749)
OTHER FINANCING SOURCES (USES)				
Transfers In		2,486,455	2,486,454	(1)
Total Other Financing Sources (Uses)	0	2,486,455	2,486,454	(1)
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 134,601</u>	(1,711,149)	<u>\$ (1,845,750)</u>
Fund Balance - Beginning			(3,592,243)	
Fund Balance - Ending			<u>\$ (5,303,392)</u>	

City of Adelanto, California
Notes to Required Supplementary Information
Year Ended June 30, 2019

1. BUDGETARY DATA

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for most governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council. Hence, they are legally one year contracts with an option for renewal for another fiscal year.

Budgeted revenue and expenditures amounts shown represent the City's originally-adopted legal budget, adjusted for unanticipated revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the City, as adopted, on a basis consistent with accounting principles generally accepted in the United States of America.

Budgets were adopted for all general, special revenue, capital projects, and debt service funds.

SUPPLEMENTARY SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Capital Project Fund:

Capital Improvement Projects - is used to account for miscellaneous improvement projects.

Special Revenue Funds:

Park Development Impact - is used to account for the receipt and expenditures of park impact fees charged to new development.

Drainage Impact - is used to account for the drainage impact fees charged to new development. Moneys are used for new drainage facilities.

Traffic Impact - is used to account for the receipt and expenditures of traffic impact fees charged to new development.

Fire Mitigation Impact - is used to account for fire mitigation fees charged to new development. Moneys are used to pay for fire safety and prevention services.

Gas Tax - is used to account for the receipt and expenditure of State Highway Users Tax funds. The funds are to be used for street related purposes.

TDA Article 8 - is used to account for local transportation funds received from SANBAG. Funds are spent on street related purposes.

Road Maintenance & Rehabilitation SB-1 - is used to account for the funds received and expenditures for the road maintenance and rehabilitation account (RMRA) under SB-1.

Federal Grants - is used to account for monies received for miscellaneous federal grants and expenditures.

State/County Grants - is used to account for monies received for miscellaneous State and County grants and expenditures.

Community Development Block Grant - is used to account for revenue allocated from the Federal Housing and Urban Development Department (through the County of San Bernardino) to be spent in low/moderate income areas of the City.

AQMD/California AB Distributions - is used to account for allocations from the Mojave Air Quality Management District. Funds are spent on air-pollution reduction programs.

Police Asset Seizure - is used to account for state allocated funds to fund special education programs.

Public Safety ½ Cent - is used to account for the State sales tax Public Safety Augmentation Fund moneys. The money is transferred to the General Fund for increased public safety expenditures.

Traffic Offender - is used to account for the revenue received from vehicle release fees and is used for traffic patrol purposes.

COPS Grant - is used to account for the State Citizens Option for Public Safety (COPS) Grant Program and is used for police overtime purposes.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds - Continued

Measure I 1990-2010 - is used to account for the County's 1/2 cent sales tax revenues. This portion of the funds must be spent on arterial road projects.

Measure I 70% Local - is used to account for state allocated 1/2 cent sales tax revenues. This portion is used to fund freeway and traffic congestion mitigation projects.

Community Facilities District - is used to account for the special tax levy placed on certain tracts to pay for public safety services and other improvements.

Landscaping and Lighting Maintenance District Annexation - is used to account for the special tax levy placed on certain tracts to pay for landscaping improvements and lighting expense.

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City of Adelanto, California
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2019

	<u>Capital Projects</u>	<u>Special Revenue</u>		
	Capital Improvement Projects	Park Development Impact	Drainage Impact	Traffic Impact
ASSETS				
Cash and Investments	\$	\$ 1,399,400	\$ 5,134,962	\$ 2,017,283
Cash and Investments with Fiscal Agent	212,526			
Accounts Receivable				697,787
Due from Other Funds				
Advances to Other Funds			226,454	
Total Assets	<u>\$ 212,526</u>	<u>\$ 1,399,400</u>	<u>\$ 5,361,416</u>	<u>\$ 2,715,070</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$ 359,057
Due to Other Funds				
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>359,057</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes				
Unavailable Revenue - Developer Fees				697,787
Unavailable Revenue - Intergovernmental				
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>697,787</u>
FUND BALANCES				
Restricted for:				
Development	212,526	1,399,400	5,361,416	
Streets and Roads				1,658,226
Air Quality Management				
Law Enforcement				
Public Safety				
Community Development				
Lighting and Landscape Maintenance				
Unassigned				
Total Fund Balances	<u>212,526</u>	<u>1,399,400</u>	<u>5,361,416</u>	<u>1,658,226</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 212,526</u>	<u>\$ 1,399,400</u>	<u>\$ 5,361,416</u>	<u>\$ 2,715,070</u>

Special Revenue				
Fire Mitigation Impact	Gas Tax	TDA Article 8	Road Maintenance & Rehabilitation SB-1	Federal Grants
\$ 257,396	\$ 786,061	\$ 1,387,445	\$ 188,721	\$
99,123	65,403		164,331	
<u>\$ 356,519</u>	<u>\$ 851,464</u>	<u>\$ 1,387,445</u>	<u>\$ 353,052</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$
				33,957
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,957</u>
99,123				
<u>99,123</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
257,396	851,464	1,387,445	353,052	
				(33,957)
<u>257,396</u>	<u>851,464</u>	<u>1,387,445</u>	<u>353,052</u>	<u>(33,957)</u>
<u>\$ 356,519</u>	<u>\$ 851,464</u>	<u>\$ 1,387,445</u>	<u>\$ 353,052</u>	<u>\$ 0</u>

Continued

City of Adelanto, California
Combining Balance Sheet - Continued
Non-major Governmental Funds
June 30, 2019

	Special Revenue			
	State/County Grants	Community Development Block Grant	AQMD/ California AB Distributions	Police Asset Seizure
ASSETS				
Cash and Investments	\$	\$	\$ 133,541	\$ 16,368
Cash and Investments with Fiscal Agent				
Accounts Receivable	712,000	38,019		
Due from Other Funds		350,276		
Advances to Other Funds				
Total Assets	<u>\$ 712,000</u>	<u>\$ 388,295</u>	<u>\$ 133,541</u>	<u>\$ 16,368</u>
LIABILITIES				
Accounts Payable	\$ 76,613	\$ 9,141	\$	\$
Due to Other Funds	639,319	386,957		
Total Liabilities	<u>715,932</u>	<u>396,098</u>	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes				
Unavailable Revenue - Developer Fees				
Unavailable Revenue - Intergovernmental	712,000	7,247		
Total Deferred Inflows of Resources	<u>712,000</u>	<u>7,247</u>	<u>0</u>	<u>0</u>
FUND BALANCES				
Restricted for:				
Development				
Streets and Roads				
Air Quality Management			133,541	
Law Enforcement				16,368
Public Safety				
Community Development				
Lighting and Landscape Maintenance				
Unassigned	(715,932)	(15,050)		
Total Fund Balances	<u>(715,932)</u>	<u>(15,050)</u>	<u>133,541</u>	<u>16,368</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 712,000</u>	<u>\$ 388,295</u>	<u>\$ 133,541</u>	<u>\$ 16,368</u>

Special Revenue				
Public Safety 1/2 Cent	Traffic Offender	COPS Grant	Measure I 1990-2010	Measure I 70% Local
\$ 133,436	\$ 6,597	\$ 247,394	\$ 2,339,819	\$ 2,228,366
12,732		56,195		180,693 32,499
<u>\$ 146,168</u>	<u>\$ 6,597</u>	<u>\$ 303,589</u>	<u>\$ 2,339,819</u>	<u>\$ 2,441,558</u>
\$	\$	\$	\$	\$ 220,181
	8,118			
<u>0</u>	<u>8,118</u>	<u>0</u>	<u>0</u>	<u>220,181</u>
				59,898
		56,195		
<u>0</u>	<u>0</u>	<u>56,195</u>	<u>0</u>	<u>59,898</u>
			2,339,819	2,161,479
146,168		247,394		
	(1,521)			
<u>146,168</u>	<u>(1,521)</u>	<u>247,394</u>	<u>2,339,819</u>	<u>2,161,479</u>
<u>\$ 146,168</u>	<u>\$ 6,597</u>	<u>\$ 303,589</u>	<u>\$ 2,339,819</u>	<u>\$ 2,441,558</u>

Continued

City of Adelanto, California
Combining Balance Sheet - Continued
Non-major Governmental Funds
June 30, 2019

	Special Revenue		Total Non-major Governmental Funds
	Community Facilities District	LLMD Annexation	
ASSETS			
Cash and Investments	\$ 653,123	\$ 304,060	\$ 17,233,972
Cash and Investments with Fiscal Agent			212,526
Accounts Receivable	203	1,870	2,028,356
Due from Other Funds			382,775
Advances to Other Funds			226,454
Total Assets	<u>\$ 653,326</u>	<u>\$ 305,930</u>	<u>\$ 20,084,083</u>
LIABILITIES			
Accounts Payable	\$	\$	\$ 664,992
Due to Other Funds			1,068,351
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,733,343</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes			59,898
Unavailable Revenue - Developer Fees			796,910
Unavailable Revenue - Intergovernmental			775,442
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>1,632,250</u>
FUND BALANCES			
Restricted for:			
Development			7,230,738
Streets and Roads			8,751,485
Air Quality Management			133,541
Law Enforcement			263,762
Public Safety			146,168
Community Development	653,326		653,326
Lighting and Landscape Maintenance		305,930	305,930
Unassigned			(766,460)
Total Fund Balances	<u>653,326</u>	<u>305,930</u>	<u>16,718,490</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 653,326</u>	<u>\$ 305,930</u>	<u>\$ 20,084,083</u>

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City of Adelanto, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2019

	Capital Projects	Special Revenue		
	Capital Improvement Projects	Park Development Impact	Drainage Impact	Traffic Impact
REVENUES				
Taxes	\$	\$	\$	\$
Investment Earnings	4,370	17,559	54,337	21,929
Developer Fees		118,490	211,199	444,312
Intergovernmental Revenues				
Total Revenues	4,370	136,049	265,536	466,241
EXPENDITURES				
Current:				
Public Safety				
Public Works			636	516
Community Development				
Parks and Recreation		3,674		
Capital Outlay		424,959		2,823,518
Total Expenditures	0	428,633	636	2,824,034
Excess (Deficiency) of Revenues Over Expenditures	4,370	(292,584)	264,900	(2,357,793)
OTHER FINANCING SOURCES (USES)				
Transfers In			627	
Transfers Out				
Notes Payable Issued		140,000		
Total Other Financing Sources (Uses)	0	140,000	627	0
Net Change in Fund Balances	4,370	(152,584)	265,527	(2,357,793)
Fund Balances - Beginning	208,156	1,551,984	5,095,889	4,016,019
Fund Balances - Ending	\$ 212,526	\$ 1,399,400	\$ 5,361,416	\$ 1,658,226

Special Revenue				
Fire Mitigation Impact	Gas Tax	TDA Article 8	Road Maintenance & Rehabilitation SB-1	Federal Grants
\$ 4,357	\$ 9,269	\$ 17,889	\$ 5,079	\$
20,783	688,067	999,174	647,210	18,703
25,140	697,336	1,017,063	652,289	18,703
13	186	134	61	31,185
13	186	134	61	31,185
25,127	697,150	1,016,929	652,228	(12,482)
	(680,000)	(20,000)	(500,000)	
0	(680,000)	(20,000)	(500,000)	0
25,127	17,150	996,929	152,228	(12,482)
232,269	834,314	390,516	200,824	(21,475)
\$ 257,396	\$ 851,464	\$ 1,387,445	\$ 353,052	\$ (33,957)

Continued

City of Adelanto, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued
Non-major Governmental Funds
Year Ended June 30, 2019

	Special Revenue			
	State/County Grants	Community Development Block Grant	AQMD/ California AB Distributions	Police Asset Seizure
REVENUES				
Taxes	\$	\$	\$	\$
Investment Earnings			318	41
Developer Fees				
Intergovernmental Revenues		54,561	12,480	
Total Revenues	0	54,561	12,798	41
EXPENDITURES				
Current:				
Public Safety	3,932			3
Public Works			28	
Community Development		38,019		
Parks and Recreation				
Capital Outlay	712,000			
Total Expenditures	715,932	38,019	28	3
Excess (Deficiency) of Revenues Over Expenditures	(715,932)	16,542	12,770	38
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Notes Payable Issued				
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(715,932)	16,542	12,770	38
Fund Balances - Beginning	0	(31,592)	120,771	16,330
Fund Balances - Ending	\$ (715,932)	\$ (15,050)	\$ 133,541	\$ 16,368

Special Revenue

Public Safety 1/2 Cent	Traffic Offender	COPS Grant	Measure I 1990-2010	Measure I 70% Local
\$ 163,852	\$	\$	\$	\$ 780,977
433	8	978	26,746	22,857
		149,154		
164,285	8	150,132	26,746	803,834
40	1	56	281	209,918
			4,195	264,736
40	1	56	4,476	474,654
164,245	7	150,076	22,270	329,180
(125,000)		(100,000)		
(125,000)	0	(100,000)	0	0
39,245	7	50,076	22,270	329,180
106,923	(1,528)	197,318	2,317,549	1,832,299
\$ 146,168	\$ (1,521)	\$ 247,394	\$ 2,339,819	\$ 2,161,479

Continued

City of Adelanto, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Continued
Non-major Governmental Funds
Year Ended June 30, 2019

	Special Revenue		Total
	Community Facilities District	LLMD Annexation	Non-major Governmental Funds
REVENUES			
Taxes	\$ 194,407	\$ 183,711	\$ 1,322,947
Investment Earnings	5,323	5,133	196,626
Developer Fees			794,784
Intergovernmental Revenues			2,569,349
Total Revenues	199,730	188,844	4,883,706
EXPENDITURES			
Current:			
Public Safety			35,217
Public Works		21,006	232,779
Community Development	13,373		51,392
Parks and Recreation			3,674
Capital Outlay			4,229,408
Total Expenditures	13,373	21,006	4,552,470
Excess (Deficiency) of Revenues Over Expenditures	186,357	167,838	331,236
OTHER FINANCING SOURCES (USES)			
Transfers In			627
Transfers Out	(20,000)	(221,000)	(1,666,000)
Notes Payable Issued			140,000
Total Other Financing Sources (Uses)	(20,000)	(221,000)	(1,525,373)
Net Change in Fund Balances	166,357	(53,162)	(1,194,137)
Fund Balances - Beginning	486,969	359,092	17,912,627
Fund Balances - Ending	\$ 653,326	\$ 305,930	\$ 16,718,490

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Improvement Projects Capital Projects Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 4,370	\$ 4,370
Total Revenues	0	0	4,370	4,370
EXPENDITURES				
Capital Outlay				0
Total Expenditures	0	0	0	0
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	4,370	<u>\$ 4,370</u>
Fund Balance - Beginning			<u>208,156</u>	
Fund Balance - Ending			<u>\$ 212,526</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Park Development Impact Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 17,559	\$ 17,559
Developer Fees	335,240	150,000	118,490	(31,510)
Total Revenues	335,240	150,000	136,049	(13,951)
EXPENDITURES				
Current:				
Parks and Recreation			3,674	(3,674)
Capital Outlay		268,543	424,959	(156,416)
Total Expenditures	0	268,543	428,633	(160,090)
Excess (Deficiency) of Revenues over Expenditures	335,240	(118,543)	(292,584)	(174,041)
OTHER FINANCING SOURCES (USES)				
Notes Payable Issued			140,000	140,000
Total Other Financing Sources (Uses)	0	0	140,000	140,000
Net Change in Fund Balance	<u>\$ 335,240</u>	<u>\$ (118,543)</u>	(152,584)	<u>\$ (34,041)</u>
Fund Balance - Beginning			1,551,984	
Fund Balance - Ending			<u>\$ 1,399,400</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Drainage Impact Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 54,337	\$ 54,337
Developer Fees	363,312	220,000	211,199	(8,801)
Total Revenues	363,312	220,000	265,536	45,536
EXPENDITURES				
Current:				
Public Works			636	(636)
Total Expenditures	0	0	636	(636)
Excess (Deficiency) of Revenues over Expenditures	363,312	220,000	264,900	44,900
OTHER FINANCING SOURCES (USES)				
Transfers In			627	627
Total Other Financing Sources (Uses)	0	0	627	627
Net Change in Fund Balance	<u>\$ 363,312</u>	<u>\$ 220,000</u>	265,527	<u>\$ 45,527</u>
Fund Balance - Beginning			<u>5,095,889</u>	
Fund Balance - Ending			<u>\$ 5,361,416</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Traffic Impact Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 21,929	\$ 21,929
Developer Fees	516,432	425,000	444,312	19,312
Total Revenues	516,432	425,000	466,241	41,241
EXPENDITURES				
Current:				
Public Works	15,000		516	(516)
Capital Outlay		2,612,434	2,823,518	(211,084)
Total Expenditures	15,000	2,612,434	2,824,034	(211,600)
Excess (Deficiency) of Revenues over Expenditures	501,432	(2,187,434)	(2,357,793)	(170,359)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(750,000)	(765,000)		765,000
Total Other Financing Sources (Uses)	(750,000)	(765,000)	0	765,000
Net Change in Fund Balance	<u>\$ (248,568)</u>	<u>\$ (2,952,434)</u>	(2,357,793)	<u>\$ 594,641</u>
Fund Balance - Beginning			4,016,019	
Fund Balance - Ending			<u>\$ 1,658,226</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Fire Mitigation Impact Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Investment Earnings	\$	\$ 500	\$ 4,357	\$ 3,857
Developer Fees	27,260	23,000	20,783	(2,217)
Total Revenues	27,260	23,500	25,140	1,640
EXPENDITURES				
Current:				
Public Works			13	(13)
Total Expenditures	0	0	13	(13)
Excess (Deficiency) of Revenues over Expenditures	27,260	23,500	25,127	1,653
OTHER FINANCING SOURCES (USES)				
Transfers Out	(150,000)	(150,000)		150,000
Total Other Financing Sources (Uses)	(150,000)	(150,000)	0	150,000
Net Change in Fund Balance	<u>\$ (122,740)</u>	<u>\$ (126,500)</u>	25,127	<u>\$ 151,653</u>
Fund Balance - Beginning			232,269	
Fund Balance - Ending			<u>\$ 257,396</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gas Tax Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Investment Earnings	\$	\$ 1,310	\$ 9,269	\$ 7,959
Intergovernmental Revenue	790,740	673,000	688,067	15,067
Total Revenues	790,740	674,310	697,336	23,026
EXPENDITURES				
Current:				
Public Works			186	(186)
Total Expenditures	0	0	186	(186)
Excess (Deficiency) of Revenues over Expenditures	790,740	674,310	697,150	22,840
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,000,000)	(680,000)	(680,000)	0
Total Other Financing Sources (Uses)	(1,000,000)	(680,000)	(680,000)	0
Net Change in Fund Balance	<u>\$ (209,260)</u>	<u>\$ (5,690)</u>	17,150	<u>\$ 22,840</u>
Fund Balance - Beginning			834,314	
Fund Balance - Ending			<u>\$ 851,464</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - TDA Article 8 Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 17,889	\$ 17,889
Intergovernmental Revenue	650,000	999,174	999,174	0
Total Revenues	650,000	999,174	1,017,063	17,889
EXPENDITURES				
Capital Outlay	1,648,744		134	(134)
Total Expenditures	1,648,744	0	134	(134)
Excess (Deficiency) of Revenues over Expenditures	(998,744)	999,174	1,016,929	17,755
OTHER FINANCING SOURCES (USES)				
Transfers Out	(20,000)	(20,000)	(20,000)	0
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	0
Net Change in Fund Balance	<u>\$ (1,018,744)</u>	<u>\$ 979,174</u>	996,929	<u>\$ 17,755</u>
Fund Balance - Beginning			390,516	
Fund Balance - Ending			<u>\$ 1,387,445</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Road Maintenance & Rehabilitation SB-1 Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 5,079	\$ 5,079
Intergovernmental Revenue	567,750	537,000	647,210	110,210
Total Revenues	567,750	537,000	652,289	115,289
EXPENDITURES				
Current:				
Public Works			61	(61)
Capital Outlay	442,000			
Total Expenditures	442,000	0	61	(61)
Excess (Deficiency) of Revenues over Expenditures	125,750	537,000	652,228	115,228
OTHER FINANCING SOURCES (USES)				
Transfers Out		(500,000)	(500,000)	0
Total Other Financing Sources (Uses)	0	(500,000)	(500,000)	0
Net Change in Fund Balance	\$ 125,750	\$ 37,000	152,228	\$ 115,228
Fund Balance - Beginning			200,824	
Fund Balance - Ending			\$ 353,052	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Federal Grants Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenue	\$ 14,000	\$ 30,000	\$ 18,703	\$ (11,297)
Total Revenues	14,000	30,000	18,703	(11,297)
EXPENDITURES				
Current:				
Public Safety	13,500	29,703	31,185	(1,482)
Total Expenditures	13,500	29,703	31,185	(1,482)
Net Change in Fund Balance	\$ 500	\$ 297	(12,482)	\$ (12,779)
Fund Balance - Beginning			(21,475)	
Fund Balance - Ending			\$ (33,957)	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - State/County Grants Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenue	\$ 740,000	\$ 9,058	\$	\$ (9,058)
Total Revenues	740,000	9,058	0	(9,058)
EXPENDITURES				
Current:				
Public Safety			3,932	(3,932)
Capital Outlay	712,000	712,000	712,000	0
Total Expenditures	712,000	712,000	715,932	(3,932)
Net Change in Fund Balance	<u>\$ 28,000</u>	<u>\$ (702,942)</u>	(715,932)	<u>\$ (12,990)</u>
Fund Balance - Beginning			0	
Fund Balance - Ending			<u>\$ (715,932)</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Community Development Block Grant Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenue	\$ 544,334	\$ 50,000	\$ 54,561	\$ 4,561
Total Revenues	544,334	50,000	54,561	4,561
EXPENDITURES				
Current:				
Community Development		50,000	38,019	11,981
Total Expenditures	0	50,000	38,019	11,981
Excess (Deficiency) of Revenues over Expenditures	544,334	0	16,542	16,542
OTHER FINANCING SOURCES (USES)				
Transfers Out	(544,334)	(50,000)		50,000
Total Other Financing Sources (Uses)	(544,334)	(50,000)	0	50,000
Net Change in Fund Balance	\$ 0	\$ (50,000)	16,542	\$ 66,542
Fund Balance - Beginning			(31,592)	
Fund Balance - Ending			\$ (15,050)	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - AQMD/California AB Distributions Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 318	\$ 318
Intergovernmental Revenues	12,500	12,480	12,480	0
Total Revenues	12,500	12,480	12,798	318
EXPENDITURES				
Current:				
Public Works	6,000	6,000	28	5,972
Total Expenditures	6,000	6,000	28	5,972
Net Change in Fund Balance	<u>\$ 6,500</u>	<u>\$ 6,480</u>	12,770	<u>\$ 6,290</u>
Fund Balance - Beginning			<u>120,771</u>	
Fund Balance - Ending			<u>\$ 133,541</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Police Asset Seizure Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 41	\$ 41
Total Revenues	0	0	41	41
EXPENDITURES				
Current:				
Public Safety			3	(3)
Total Expenditures	0	0	3	(3)
Net Change in Fund Balance	\$ 0	\$ 0	38	\$ 44
Fund Balance - Beginning			16,330	
Fund Balance - Ending			\$ 16,368	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Safety 1/2 Cent Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 148,500	\$ 140,000	\$ 163,852	\$ 23,852
Investment Earnings			433	433
Total Revenues	148,500	140,000	164,285	24,285
EXPENDITURES				
Current:				
Public Safety			40	(40)
Total Expenditures	0	0	40	(40)
Excess (Deficiency) of Revenues over Expenditures	148,500	140,000	164,245	24,245
OTHER FINANCING SOURCES (USES)				
Transfers Out	(125,000)	(142,000)	(125,000)	17,000
Total Other Financing Sources (Uses)	(125,000)	(142,000)	(125,000)	17,000
Net Change in Fund Balances	<u>\$ 23,500</u>	<u>\$ (2,000)</u>	39,245	<u>\$ 41,245</u>
Fund Balance - Beginning			106,923	
Fund Balance - Ending			<u>\$ 146,168</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Traffic Offender Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 8	\$ 8
Charges for Current Services	8,000			0
Total Revenues	8,000	0	8	8
EXPENDITURES				
Current:				
Public Safety			1	(1)
Total Expenditures	0	0	1	(1)
Excess (Deficiency) of Revenues over Expenditures	8,000	0	7	7
OTHER FINANCING SOURCES (USES)				
Transfers Out	(5,000)	(5,000)		5,000
Total Other Financing Sources (Uses)	(5,000)	(5,000)	0	5,000
Net Change in Fund Balance	<u>\$ 3,000</u>	<u>\$ (5,000)</u>	7	<u>\$ 5,007</u>
Fund Balance - Beginning			(1,528)	
Fund Balance - Ending			<u>\$ (1,521)</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - COPS Grant Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Investment Earnings	\$	\$	\$ 978	\$ 978
Intergovernmental Revenue	110,000	88,000	149,154	61,154
Total Revenues	110,000	88,000	150,132	62,132
EXPENDITURES				
Current:				
Public Safety			56	(56)
Total Expenditures	0	0	56	(56)
Excess (Deficiency) of Revenues over Expenditures	110,000	88,000	150,076	62,076
OTHER FINANCING SOURCES (USES)				
Transfers Out	(150,000)	(150,000)	(100,000)	50,000
Total Other Financing Sources (Uses)	(150,000)	(150,000)	(100,000)	50,000
Net Change in Fund Balance	<u>\$ (40,000)</u>	<u>\$ (62,000)</u>	50,076	<u>\$ 112,076</u>
Fund Balance - Beginning			197,318	
Fund Balance - Ending			<u>\$ 247,394</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Measure I 1990-2010 Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Investment Earnings	\$ 305	\$ 750	\$ 26,746	\$ 25,996
Total Revenues	305	750	26,746	25,996
EXPENDITURES				
Current:				
Public Works			281	(281)
Capital Outlay	2,317,800	8,200	4,195	4,005
Total Expenditures	2,317,800	8,200	4,476	3,724
Net Change in Fund Balance	<u>\$ (2,317,495)</u>	<u>\$ (7,450)</u>	22,270	<u>\$ 29,720</u>
Fund Balance - Beginning			2,317,549	
Fund Balance - Ending			<u>\$ 2,339,819</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Measure I 70% Local Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 650,000	\$ 650,000	\$ 780,977	\$ 130,977
Investment Earnings	100	700	22,857	22,157
Total Revenues	650,100	650,700	803,834	153,134
EXPENDITURES				
Current:				
Public Works	300,000	300,000	209,918	90,082
Capital Outlay	682,200		264,736	(264,736)
Total Expenditures	982,200	300,000	474,654	(174,654)
Net Change in Fund Balance	<u>\$ (332,100)</u>	<u>\$ 350,700</u>	329,180	<u>\$ (21,520)</u>
Fund Balance - Beginning			<u>1,832,299</u>	
Fund Balance - Ending			<u>\$ 2,161,479</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Community Facilities District Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 16,000	\$ 16,000	\$ 194,407	\$ 178,407
Investment Earnings			5,323	5,323
Total Revenues	16,000	16,000	199,730	183,730
EXPENDITURES				
Current:				
Community Development	1,600	11,500	13,373	(1,873)
Total Expenditures	1,600	11,500	13,373	(1,873)
Excess (Deficiency) of Revenues over Expenditures	14,400	4,500	186,357	181,857
OTHER FINANCING SOURCES (USES)				
Transfers Out	(20,000)	(20,000)	(20,000)	0
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	0
Net Change in Fund Balance	<u>\$ (5,600)</u>	<u>\$ (15,500)</u>	166,357	<u>\$ 181,857</u>
Fund Balance - Beginning			486,969	
Fund Balance - Ending			<u>\$ 653,326</u>	

City of Adelanto, California
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - LLMD Annexation Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes	\$ 175,000	\$ 175,000	\$ 183,711	\$ 8,711
Investment Earnings			5,133	5,133
Total Revenues	175,000	175,000	188,844	13,844
EXPENDITURES				
Current:				
Public Works	28,000	24,500	21,006	3,494
Total Expenditures	28,000	24,500	21,006	3,494
Excess (Deficiency) of Revenues over Expenditures	147,000	150,500	167,838	17,338
OTHER FINANCING SOURCES (USES)				
Transfers Out	(200,000)	(217,500)	(221,000)	(3,500)
Total Other Financing Sources (Uses)	(200,000)	(217,500)	(221,000)	(3,500)
Net Change in Fund Balance	<u>\$ (53,000)</u>	<u>\$ (67,000)</u>	(53,162)	<u>\$ 13,838</u>
Fund Balance - Beginning			359,092	
Fund Balance - Ending			<u>\$ 305,930</u>	

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
Assessment District 1A
Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 1,229,558	\$ 8,056	\$ 4,359	\$ 1,233,255
Accounts Receivable	<u>1,039</u>	<u>300</u>	<u>1,039</u>	<u>300</u>
Total Assets	<u><u>\$ 1,230,597</u></u>	<u><u>\$ 8,356</u></u>	<u><u>\$ 5,398</u></u>	<u><u>\$ 1,233,555</u></u>
LIABILITIES				
Due to Other Funds	\$ 79,299	\$	\$	\$ 79,299
Due to Bondholders	<u>1,151,298</u>	<u>8,356</u>	<u>5,398</u>	<u>1,154,256</u>
Total Liabilities	<u><u>\$ 1,230,597</u></u>	<u><u>\$ 8,356</u></u>	<u><u>\$ 5,398</u></u>	<u><u>\$ 1,233,555</u></u>

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
CFD 2006-2 Bond Fund
Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 356,463	\$ 1,088,412	\$ 1,036,048	\$ 408,827
Cash and Investments with Fiscal Agent	943,320	430,358	429,939	943,739
Accounts Receivable	2,545	616	2,545	616
	<u>2,545</u>	<u>616</u>	<u>2,545</u>	<u>616</u>
Total Assets	<u>\$ 1,302,328</u>	<u>\$ 1,519,386</u>	<u>\$ 1,468,532</u>	<u>\$ 1,353,182</u>
LIABILITIES				
Due to Bondholders	<u>\$ 1,302,328</u>	<u>\$ 1,519,386</u>	<u>\$ 1,468,532</u>	<u>\$ 1,353,182</u>
Total Liabilities	<u>\$ 1,302,328</u>	<u>\$ 1,519,386</u>	<u>\$ 1,468,532</u>	<u>\$ 1,353,182</u>

City of Adelanto, California
Statement of Changes in Fiduciary Assets and Liabilities
Total Agency Funds
Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and Investments	\$ 1,586,021	\$ 1,096,468	\$ 1,040,407	\$ 1,642,082
Cash and Investments with Fiscal Agent	943,320	430,358	429,939	943,739
Accounts Receivable	<u>3,584</u>	<u>916</u>	<u>3,584</u>	<u>916</u>
Total Assets	<u><u>\$ 2,532,925</u></u>	<u><u>\$ 1,527,742</u></u>	<u><u>\$ 1,473,930</u></u>	<u><u>\$ 2,586,737</u></u>
LIABILITIES				
Due to Other Funds	\$ 79,299	\$	\$	\$ 79,299
Due to Bondholders	<u>2,453,626</u>	<u>1,527,742</u>	<u>1,473,930</u>	<u>2,507,438</u>
Total Liabilities	<u><u>\$ 2,532,925</u></u>	<u><u>\$ 1,527,742</u></u>	<u><u>\$ 1,473,930</u></u>	<u><u>\$ 2,586,737</u></u>

ADELANTO PUBLIC UTILITY AUTHORITY
(A Component Unit of the City of Adelanto)

ANNUAL AUDIT REPORT

Year Ended June 30, 2019

Adelanto Public Utility Authority
Annual Audit Report
Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Adelanto Public Utility Authority
Adelanto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the water fund and wastewater fund of the Adelanto Public Utility Authority (the "Authority"), a component unit of the City of Adelanto, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 financial position of the water fund and wastewater fund of the Authority, as of June 30, 2019, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statements No.83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 30-31 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.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Teaman Ramirez & Smith, Inc.

Riverside, California
February 25, 2021

Adelanto Public Utility Authority
Statement of Net Position
June 30, 2019

	Water	Wastewater	Totals
ASSETS			
Current Assets:			
Cash and Investments	\$ 12,237,373	\$ 4,121,305	\$ 16,358,678
Accounts Receivable, Net	1,400,029	994,011	2,394,040
Interest Receivable	24,555	4,677	29,232
Prepaid Items	1,436,417	650,731	2,087,148
Total Current Assets	15,098,374	5,770,724	20,869,098
Noncurrent Assets:			
Cash and Investments with Fiscal Agents	7,462,282	4,394,848	11,857,130
Advances to Other Funds	2,176,557	-	2,176,557
Advances to the City of Adelanto	2,732,825	46,834	2,779,659
Successor Agency Loans Receivable	12,116,378	-	12,116,378
Net Pension Asset	4,168	2,555	6,723
Capital Assets, Not Being Depreciated	7,387,756	806,701	8,194,457
Capital Assets, Net of Accumulated Depreciation	27,667,944	24,666,969	52,334,913
Total Noncurrent Assets	59,547,910	29,917,907	89,465,817
Total Assets	74,646,284	35,688,631	110,334,915
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	59,002	23,465	82,467
Deferred Loss on Bond Refunding, Net of Accumulated Amortization	5,939,533	4,127,472	10,067,005
Total Deferred Outflows of Resources	5,998,535	4,150,937	10,149,472
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	346,615	128,242	474,857
Interest Payable	1,141,688	716,065	1,857,753
Deposits Payable	708,839	558,137	1,266,976
Litigation Liability	166,667	166,667	333,334
Current Portion of Advances	4,595	4,595	9,190
Current Portion of Compensated Absences	25,308	2,765	28,073
Current Portion of Notes Payable	813,619	1,054,141	1,867,760
Current Portion of Bonds Payable	1,343,450	926,550	2,270,000
Total Current Liabilities	4,550,781	3,557,162	8,107,943
Noncurrent Liabilities:			
Advances from Other Funds	-	2,176,557	2,176,557
Advances from the City of Adelanto	1,458,959	65,606	1,524,565
Compensated Absences	3,744	514	4,258
Notes Payable, Noncurrent	-	5,377,028	5,377,028
Bonds Payable, Noncurrent	49,770,918	31,422,429	81,193,347
Total Noncurrent Liabilities	51,233,621	39,042,134	90,275,755
Total Liabilities	55,784,402	42,599,296	98,383,698
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	21,611	13,246	34,857
Total Deferred Inflows of Resources	21,611	13,246	34,857
NET POSITION			
Net Investment in Capital Assets	(3,513,638)	(6,454,047)	(9,967,685)
Unrestricted	28,352,444	3,681,073	32,033,517
Total Net Position	\$ 24,838,806	\$ (2,772,974)	\$ 22,065,832

The accompanying notes are an integral part of this statement.

Adelanto Public Utility Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Water	Wastewater	Totals
OPERATING REVENUES			
Service Charges	\$ 8,509,635	\$ 6,656,563	\$ 15,166,198
Availability Charges	555,946	337,343	893,289
Connection Fees	832,166	215,147	1,047,313
Other Revenue	1,215,834	279,324	1,495,158
	<u>11,113,581</u>	<u>7,488,377</u>	<u>18,601,958</u>
OPERATING EXPENSES			
General and Administrative	168,087	372,076	540,163
Salaries and Benefits	460,004	99,768	559,772
Contract Services	26,158	7,500	33,658
Water Operations	2,485,666	-	2,485,666
Sewer Operations	-	1,353,042	1,353,042
Utilities	557,417	328,180	885,597
Depreciation	879,569	696,482	1,576,051
	<u>4,576,901</u>	<u>2,857,048</u>	<u>7,433,949</u>
Operating Income	<u>6,536,680</u>	<u>4,631,329</u>	<u>11,168,009</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment Earnings	1,291,814	158,158	1,449,972
Amortization and Other Non-Operating Expenses	(394,571)	(234,025)	(628,596)
Interest Expense and Fiscal Charges	(2,334,270)	(1,854,355)	(4,188,625)
	<u>(1,437,027)</u>	<u>(1,930,222)</u>	<u>(3,367,249)</u>
Total Non-Operating Revenues (Expenses)	<u>(1,437,027)</u>	<u>(1,930,222)</u>	<u>(3,367,249)</u>
Income (Loss) before Transfers	5,099,653	2,701,107	7,800,760
TRANSFERS			
Transfers Out - City of Adelanto	(125,000)	(125,000)	(250,000)
Change in Net Position	<u>4,974,653</u>	<u>2,576,107</u>	<u>7,550,760</u>
Net Position, Beginning of Year, As Previously Reported	20,764,685	(4,657,605)	16,107,080
Prior Period Adjustments	(900,532)	(691,476)	(1,592,008)
Net Position, Beginning of Year, As Restated	<u>19,864,153</u>	<u>(5,349,081)</u>	<u>14,515,072</u>
Net Position, End of Year	<u>\$ 24,838,806</u>	<u>\$ (2,772,974)</u>	<u>\$ 22,065,832</u>

The accompanying notes are an integral part of this statement.

Adelanto Public Utility Authority
Statement of Cash Flows
For the Year Ended June 30, 2019

	Water	Wastewater	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 10,984,414	\$ 7,286,803	\$ 18,271,217
Other Receipts	33,803	1,374	35,177
Payments to Suppliers for Goods and Services	(3,654,293)	(2,000,361)	(5,654,654)
Payments to Employees for Services	(502,853)	(96,391)	(599,244)
	<u>6,861,071</u>	<u>5,191,425</u>	<u>12,052,496</u>
Net Cash Provided by (Used for) Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from Other Funds	1,393,716	-	1,393,716
Advances to the City of Adelanto	(883,783)	(214,447)	(1,098,230)
Advances to Other Funds	-	(1,393,716)	(1,393,716)
	<u>509,933</u>	<u>(1,608,163)</u>	<u>(1,098,230)</u>
Net Cash Provided (Used) in Noncapital Financing Activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(4,474,286)	-	(4,474,286)
Principal Payments on Capital Debt	(3,232,970)	(1,005,850)	(4,238,820)
Interest Payments on Capital Debt	(2,376,466)	(1,883,502)	(4,259,968)
	<u>(10,083,722)</u>	<u>(2,889,352)</u>	<u>(12,973,074)</u>
Net Cash Provided (Used) in Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings	1,807,090	156,920	1,964,010
	<u>1,807,090</u>	<u>156,920</u>	<u>1,964,010</u>
Net Cash Provided by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(905,628)	850,830	(54,798)
Cash and Cash Equivalents, Beginning of Fiscal Year	20,605,283	7,665,323	28,270,606
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 19,699,655</u>	<u>\$ 8,516,153</u>	<u>\$ 28,215,808</u>
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position:			
Reported on the Statement of Net Position:			
Cash and Investments	\$ 12,237,373	\$ 4,121,305	\$ 16,358,678
Cash and Investments with Fiscal Agents	7,462,282	4,394,848	11,857,130
	<u>\$ 19,699,655</u>	<u>\$ 8,516,153</u>	<u>\$ 28,215,808</u>
Cash and Cash Equivalents - June 30, 2019			

The following notes are an integral part of this statement.

Adelanto Public Utility Authority
Statement of Cash Flows - Continued
For the Year Ended June 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash			
Provided by (Used for) Operations:			
Operating Income	<u>\$ 6,536,680</u>	<u>\$ 4,631,329</u>	<u>\$ 11,168,009</u>
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation	879,569	696,482	1,576,051
Other Cash Receipts	33,803	1,374	35,177
Decrease (Increase) in Accounts Receivable	49,574	(4,665)	44,909
Decrease (Increase) in Prepays Items	(500,000)	-	(500,000)
Decrease (Increase) in Net Pension Asset	(4,168)	(2,555)	(6,723)
Decrease (Increase) in Pension Related Deferred Outflows	(13,274)	(8,730)	(22,004)
Increase (Decrease) in Accounts Payable	83,035	60,437	143,472
Increase (Decrease) in Accrued Liabilities	(27,048)	(1,863)	(28,911)
Increase (Decrease) in Deposits Payable	71,259	53,091	124,350
Increase (Decrease) in Litigation Liability	(250,000)	(250,000)	(500,000)
Increase (Decrease) in Compensated Absences	(307)	3,279	2,972
Increase (Decrease) in Net Pension Liability	(127)	-	(127)
Increase (Decrease) in Pension Related Deferred Inflows	<u>2,075</u>	<u>13,246</u>	<u>15,321</u>
Total Adjustments	<u>324,391</u>	<u>560,096</u>	<u>884,487</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 6,861,071</u></u>	<u><u>\$ 5,191,425</u></u>	<u><u>\$ 12,052,496</u></u>
Schedule of Noncash Capital and Related Financing Activities:			
Amortization of Deferred Loss on Refunding	\$ 409,344	\$ 262,678	\$ 672,022
Amortization of Bond Premiums and Discounts	\$ (116,857)	\$ (98,391)	\$ (215,248)
Amortization of Prepaid Bond Insurance	\$ 79,610	\$ 55,322	\$ 134,932

The following notes are an integral part of this statement.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

NOTE	DESCRIPTION	PAGE
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Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Adelanto Public Utility Authority (Authority), a component unit of the City of Adelanto, have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting policies of the Authority are described below.

The Authority was formed on November 1, 1996, pursuant to a Joint Exercise of Powers Agreement between the City of Adelanto (the “City”) and the Adelanto Improvement Agency (the “Agency”). On February 1, 2012, the Agency was dissolved by legislation and a decision by the California Supreme Court. The City is the Successor Agency of the Adelanto Improvement Agency which oversees the remaining activities of the former Agency. The Authority was formed for the purpose of purchasing and operating the City’s wastewater operations. In conjunction with that purchase, the Authority issued bonds to finance the down payment to the City and the construction of a wastewater treatment plant. The Authority also issued a note payable to the City to finance the purchase of the existing wastewater assets.

On February 29, 2000, the Adelanto Public Utility Authority entered into a purchase agreement with the Adelanto Water Authority (the Water Authority) to purchase the Water Authority’s water system (Water Enterprise), including the Water Enterprise’s total assets and assumption of its total liabilities. The purchase price consisted of amounts sufficient to refund all of the outstanding prior water bonds and assumption of the Water Authority’s obligations under the original agreement dated January 9, 1996, under which the Water Authority was first formed by the City.

On November 12, 2014, the Authority approved the Adelanto Industrial Development Authority to become a member agency subject to the Joint Exercise of Powers Agreement between the City and the Agency. Currently, there is no activity with the Adelanto Industrial Development Authority.

The Authority is an integral part of the reporting entity of the City. The funds of the Authority are included within the scope of the basic financial statements of the City because the City Council is the governing board over the operations of the Authority. Only the funds of the Authority are included herein; therefore, these financial statements do not purport to represent the financial position, results of operations, or cash flows of the City of Adelanto.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority’s basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The activities of the Authority are accounted for as enterprise funds (proprietary funds). In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The financial records of the Authority are maintained on the flow of economic resources measurement focus using the accrual basis of accounting, wherein revenues are recognized in the accounting period in which they are earned, regardless of when they are received, and expenses are recognized in the period incurred.

Proprietary funds distinguish operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by utility services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of utility services.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

The Authority reports the following funds:

Water Fund - This fund accounts for the operation and maintenance of the Authority's water distribution system.

Wastewater Fund - This fund accounts for the operation and maintenance of the Authority's wastewater collection system including operating costs of the wastewater treatment facility.

C. Cash and Investments

The Authority's cash and investments are governed by and in compliance with the California Government Code. For purpose of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

D. Investments with Bond Trustee

In accordance with terms of the bond indentures related to the (revenue bonds) reserve and other funds are invested with the Bond Trustee. The Bond Trustee invests these funds in accordance with the terms of the bond indenture; accordingly, such funds are invested primarily in U.S. government and government agency securities and money market funds, which invest in such securities. Such investments are stated at fair value.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Uncollectible Accounts Receivable

The Authority uses the allowance method for uncollectible account receivable. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

F. Advances to/from the City of Adelanto

Receivables and payables, representing operating and capital advances between the City and the Authority, have been classified as "advances from the City of Adelanto" or "advances to the City of Adelanto", respectively, on the accompanying financial statements.

G. Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of \$5,000 (\$100,000 for infrastructure) or more and an estimated useful life in excess of one year. Additions to capital assets are carried at historical cost or, for donated capital assets, at appraised fair value on the date donated.

Normal maintenance and repair costs that do not add to the value of the capital assets or materially extend capital asset lives are not capitalized. Improvements that extend the life of the wastewater treatment and water delivery systems are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

In accordance with accounting principles generally accepted in the United States of America, depreciation is not recorded for land, water rights, sewer rights-of-way, or construction in progress. Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

Buildings and Improvements	10 - 50 years
Pipes and Storage Facilities	50 - 65 years
Sewers	50 - 65 years
Machinery and Equipment	10 - 30 years
Vehicles	10 years

The Authority's policy is to take no depreciation in the first year of service. The Authority's water rights that are listed under capital assets do not have a finite period of useful life to the Authority and so there is no expiration date for the Authority's rights to the water.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has deferred outflows related to pensions. This includes pension contributions subsequent to the measurement date of the net pension liability and other amounts (see Note 9), which are amortized by an actuarial determined period. The Authority also has a

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Deferred Outflows/Inflows of Resources - Continued

deferred loss on refunding which results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has deferred inflows related to pensions. These amounts (see Note 9) are amortized by an actuarial determined period.

I. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's proportionate share of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additional to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. The Authority's net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, represents the Authority's proportionate share of the City of Adelanto's related amounts. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Bond Discounts/Premiums/Deferred Losses on Refunding

Bond discounts, premiums, and deferred losses on refunding, for proprietary fund types are deferred and amortized over the term of the bonds using the straight line-method. These amounts are reported under the amortization and other nonoperating expenses in the Statement of Revenues, Expenses and Changes in Net Position.

K. Net Position

The difference between assets, liabilities and deferred outflows/inflows of resources be reported as net position. Net position is comprised of three components: net investment of capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Net Position - Continued

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on the asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

L. Low Income Subsidy Program

The Authority has a low income subsidy program to assist low income households. If a customer qualifies for the program, they receive a discount on their utility bill which is subsidized by penalties and interest revenues collected. Included in service charges is \$448,430 of penalties and interest revenues collected to subsidize low income households.

M. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, deferred outflows/inflows of resources, liabilities, revenues, and expenses, as appropriate, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

N. New Accounting Pronouncements

The Authority has implemented the following requirements of Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended June 30, 2019.

Governmental Accounting Standard Board Statement No. 83

In November of 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement was issued to address the criteria for the recognition and measurement of the liability and corresponding deferred outflows of resources associated with certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 is effective for reporting periods beginning after June 15, 2018. Currently, this Statement has no effect on the Authority's financial statements.

Governmental Accounting Standard Board Statement No. 88

In March of 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement was issued to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Statement No. 88 is effective for fiscal years beginning after June 15, 2018. The Authority has implemented GASB No. 88 which is reflected in the Authority's financial statements.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 16,358,678
Cash and Investments with Fiscal Agents	<u>11,857,130</u>
Total Cash and Investments	<u>\$ 28,215,808</u>

Cash and investments as of June 30, 2019 consist of the following:

Petty Cash	\$ 850
Deposits with Financial Institutions	10,010,465
Investments	<u>18,204,493</u>
Total Cash and Investments	<u>\$ 28,215,808</u>

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Adelanto Public Utility Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California government Code or the Authority's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
Local or Government Agency Bonds	5 years	None	None
U.S. Treasury Obligations	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$100,000
Certificate of Deposit	1 year	None	\$100,000
Banker's Acceptances	180 days	40%	None
Commercial Paper	270 days	40%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	20%	None
Public Financing Authority Bonds	N/A	None	None

⁽¹⁾ Certain investments are pooled with the City of Adelanto which are subject to the same above restrictions.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

2) CASH AND INVESTMENTS - Continued

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy.

Disclosures 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 Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type	Remaining Maturity (in Months)			
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool - LAIF	\$ 4,574,826	\$ 4,574,826	\$ -	\$ -
City of Adelanto Pooled Investments	1,772,537	1,772,537	-	-
Held by Bond Trustee:				
Money Market Mutual Funds	11,857,130	11,857,130	-	-
Total	\$ 18,204,493	\$ 18,204,493	\$ -	\$ -

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Authority has no investments (including investments held by bond trustee) that are highly sensitive to interest rate fluctuations to a greater degree than already indicated in the information provided above.

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of the fiscal year end for each investment type.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk - Continued

Investment Type		Legal Rating	Exempt from Disclosure	Rating as of Year End	
				AAA	Not Rated
State Investment Pool - LAIF	\$ 4,574,826	N/A	\$ -	\$ -	\$ 4,574,826
City of Adelanto Pooled Investments	1,772,537			-	1,772,537
Held By Bond Trustee:					
Money Market Mutual Funds	11,857,130	N/A	-	11,857,130	-
Total	<u>\$ 18,204,493</u>		<u>\$ -</u>	<u>\$ 11,857,130</u>	<u>\$ 6,347,363</u>

Concentration of Credit Risk

The investment policy of the Authority contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Authority investments are as follows:

Issuer	Investment Type	Reported Amount
Blackrock Institutional Funds	Money Market Mutual Funds	\$ 11,857,130

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair 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 Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Continued

As of June 30, 2019, the Authority's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the Authority to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Money Market Mutual Funds	\$ 11,857,130

The Authority pools its deposits with the City of Adelanto. See the City's annual report for more information regarding pooled cash and investments.

Local Agency Investment Fund (LAIF)

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The Authority may invest up to \$65,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California. The yield of LAIF during the quarter ended June 30, 2019 was 2.43%. The carrying value and estimated market value of the LAIF Pool at June 30, 2019 was \$105,633,660,465 and \$105,814,483,092, respectively. The Authority's share of the Pool at June 30, 2019 was approximately 0.0043 percent.

The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$977,182,000 and structured notes totaling \$900,000,000. LAIF's and the Authority's exposure to risk (credit, market or legal) is not currently available.

The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by Statute. LAIF is also regulated by California Government Code Section 16429.

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

3) FAIR VALUE MEASUREMENTS - Continued

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Significant Other Observable Inputs (Level 2)	Uncategorized
State Investment Pool - LAIF	\$ 4,574,826	\$ -	\$ 4,574,826
City of Adelanto Pooled Investments	1,772,537	-	1,772,537
Held by Bond Trustee:			
Money Market Mutual Funds	11,857,130	11,857,130	-
Total	<u>\$ 18,204,493</u>	<u>\$ 11,857,130</u>	<u>\$ 6,347,363</u>

Fair values for investments are determined by using a matrix pricing technique. Matrix pricing is used to value securities based on the security's relationship to benchmark quoted prices. Uncategorized investments do not fall under the fair value hierarchy as there is no active market for the investments.

4) ADVANCES TO/FROM OTHER FUNDS

The Wastewater Fund owes the Water Fund the net amount of \$2,176,557. These amounts are shown as advances to/advances from Water Fund/Wastewater Fund on the Statement of Net Position - Proprietary Funds. The advance was part of the issuance of the 2000 Revenue Bonds which have been refunded by other bonds (currently related to the 2017 Revenue Bonds).

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

5) SUCCESSOR AGENCY LOANS RECEIVABLE

The Adelanto Public Utility Authority purchased the Adelanto Public Financing Authority (“PFA”) Local Agency Third Subordinated Revenue Bonds, 1995 Series C. These bonds are considered conduit debt of the Adelanto PFA since the bond is secured from the loans with the Adelanto Improvement Agency. As of February 1, 2012, the Adelanto Improvement Agency was dissolved and the Successor Agency of the Adelanto Improvement Agency oversees the remaining activities of the former Adelanto Improvement Agency. Since the Adelanto PFA bonds are considered conduit debt, these amounts are reflected as loans receivable with the Successor Agency. The outstanding balance of these loans is \$12,116,378. This amount includes \$9,918,093 of accreted interest.

6) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 908,300	\$ -	\$ -	\$ 908,300
Water Rights	3,124,800	3,876,000	-	7,000,800
Construction in Progress	-	285,357	-	285,357
Total Capital Assets, Not Being Depreciated	4,033,100	4,161,357	-	8,194,457
Capital Assets, Being Depreciated:				
Buildings and Improvements	20,933,701	38,400	-	20,972,101
Infrastructure	48,844,054	274,528	-	49,118,582
Computer Equipment	341,081	-	-	341,081
Machinery and Equipment	8,763,905	-	-	8,763,905
Vehicles	32,325	-	-	32,325
Total Capital Assets, Being Depreciated	78,915,066	312,928	-	79,227,994
Less Accumulated Depreciation:				
Buildings and Improvements	(7,816,600)	(413,320)	-	(8,229,920)
Infrastructure	(13,603,482)	(765,511)	-	(14,368,993)
Computer Equipment	(34,108)	(102,324)	-	(136,432)
Machinery and Equipment	(3,859,607)	(291,664)	-	(4,151,271)
Vehicles	(3,233)	(3,232)	-	(6,465)
Total Accumulated Depreciation	(25,317,030)	(1,576,051)	-	(26,893,081)
Total Capital Assets, Being Depreciated, Net	53,598,036	(1,263,123)	-	52,334,913
Capital Assets, Net of Depreciation	\$ 57,631,136	\$ 2,898,234	\$ -	\$ 60,529,370

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

7) LONG-TERM LIABILITIES

The following is a schedule of changes in long-term liabilities of the Authority for the fiscal year ended June 30, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Fixed Rate Revenue Bonds, 2014 Series A	\$ 12,030,000	\$ -	\$ 775,000	\$ 11,255,000	\$ 815,000
Unamortized Premium	302,534	-	16,043	286,491	-
Fixed Rate Refunding Bonds, 2017 Series A	29,145,000	-	-	29,145,000	-
Unamortized Premium	3,370,200	-	235,130	3,135,070	-
Fixed Rate Refunding Bonds, 2017 Series B	41,710,000	-	1,685,000	40,025,000	1,455,000
Unamortized Discount	(419,140)	-	(35,926)	(383,214)	-
Compensated Absences	29,359	15,466	12,494	32,331	28,073
Direct Borrowings:					
Water System Purchase Note	2,592,439	-	1,778,820	813,619	813,619
Wastewater System Purchase Note	6,431,169	-	-	6,431,169	1,054,141
Total	\$ 95,191,561	\$ 15,466	\$ 4,466,561	\$ 90,740,466	\$ 4,165,833

Fixed Rate Revenue Bonds, 2014 Series A

On or about December 30, 2014, the Authority issued \$14,130,000 Fixed Rate Revenue Bonds, 2014 Series A, to pay costs related to a legal settlement with Ambac Assurance Corporation and to finance certain capital improvements. Interest on the bonds is payable July 1st and January 1st of each year. Interest on the bonds accrues at rates of 4.00% and 5.00% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$265,000 to \$1,045,000, commencing July 1, 2015 through July 1, 2039. The balance in the debt service reserve account as of June 30, 2019, is \$1,252,506, which is sufficient to cover the Bond Indenture Reserve Requirement.

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 815,000	\$ 542,375	\$ 1,357,375
2021	855,000	500,625	1,355,625
2022	900,000	456,750	1,356,750
2023	940,000	410,750	1,350,750
2024	990,000	362,500	1,352,500
2025-2029	2,180,000	1,343,500	3,523,500
2030-2034	1,770,000	931,250	2,701,250
2035-2039	2,275,000	428,625	2,703,625
2040	530,000	13,250	543,250
Total	\$ 11,255,000	\$ 4,989,625	\$ 16,244,625

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

7) LONG-TERM LIABILITIES - Continued

Fixed Rate Revenue Bonds, 2014 Series A - Continued

Revenues Pledged

The Authority has pledged a portion of water and wastewater revenues to repay the 2014 Series A Fixed Rate Revenue Bonds. The bond is secured solely by operating revenues from the Water and Wastewater Funds. Total principal and interest remaining on the bond is \$16,244,625 payable through fiscal year 2040. For the current year, principal and interest paid by the water and wastewater operating revenues was \$775,000 and \$582,125.

Fixed Rate Revenue Refunding Bonds, 2017 Series A

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$29,145,000 Fixed Rate Refunding Revenue Bonds, 2017 Series A, to refund a portion of the Authority's Fixed Rate Refunding Revenue Bonds, 2009 Series A. Interest on the bonds is payable July 1st and January 1st of each year. Interest on the bonds accrues at rate of 5.00% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$645,000 to \$5,150,000, commencing July 1, 2020 through July 1, 2039. The balance in the debt service reserve account as of June 30, 2019, is \$1,457,250, which is sufficient to cover the Bond Indenture Reserve Requirement.

The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 1,457,250	\$ 1,457,250
2021	645,000	1,441,125	2,086,125
2022	645,000	1,408,875	2,053,875
2023	645,000	1,376,625	2,021,625
2024	645,000	1,344,375	1,989,375
2025-2029	3,155,000	6,245,125	9,400,125
2030-2034	3,100,000	5,462,500	8,562,500
2035-2039	15,160,000	3,814,750	18,974,750
2040	5,150,000	128,750	5,278,750
Total	<u>\$ 29,145,000</u>	<u>\$ 22,679,375</u>	<u>\$ 51,824,375</u>

Revenues Pledged

The Authority has pledged a portion of water and wastewater revenues to repay the 2017 Series A Fixed Rate Revenue Refunding Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$51,824,375 payable through fiscal year 2040. For the current year, only interest was due and paid by the water and wastewater operating revenues for \$1,469,394.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

7) LONG-TERM LIABILITIES - Continued

Fixed Rate Revenue Refunding Bonds, 2017 Series B

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$41,710,000 Fixed Rate Refunding Revenue Bonds, 2017 Series B, to refund a portion of the Authority's Fixed Rate Refunding Revenue Bonds, 2009 Series A. Interest on the bonds is payable July 1st and January 1st of each year. Interest on the bonds accrues at rate of 3% to 4.75% per annum. Principal on the serial bonds are payable in annual installments, ranging from \$1,455,000 to \$3,610,000, commencing July 1, 2018 through July 1, 2035. The balance in the debt service reserve account as of June 30, 2019, is \$1,890,738, which is sufficient to cover the Bond Indenture Reserve Requirement. The future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,455,000	\$ 1,672,772	\$ 3,127,772
2021	1,530,000	1,624,219	3,154,219
2022	1,615,000	1,572,156	3,187,156
2023	1,700,000	1,516,162	3,216,162
2024	1,795,000	1,453,878	3,248,878
2025-2029	10,650,000	6,113,419	16,763,419
2030-2034	14,270,000	3,410,384	17,680,384
2035-2036	7,010,000	337,963	7,347,963
Total	<u>\$ 40,025,000</u>	<u>\$ 17,700,953</u>	<u>\$ 57,725,953</u>

Revenues Pledged

The Authority has pledged a portion of water and wastewater revenues to repay the 2017 Series B Fixed Rate Revenue Refunding Bonds. The bond is secured solely by water and wastewater operating revenues. Total principal and interest remaining on the bond is \$57,725,953 payable through fiscal year 2036. For the current year, principal and interest paid by the water and wastewater operating revenues was \$1,685,000 and \$1,735,332.

Compensated Absences

As of the fiscal year ended June 30, 2019, the total accrued employee leave benefits for the Authority was \$32,331.

Water System Purchase Note

As part of the original purchase of the City's water operation by the Adelanto Water Authority, which was acquired by the Adelanto Public Utility Authority on February 1, 2000, the Adelanto Water Authority issued a note payable in the amount of \$34,113,079 with minimum annual payments of \$500,000 plus any additional funds available after payment of operating and debt service requirements of the Water Authority plus the establishment of a reasonable reserve. The original purchase note accrued interest at 7.5% per annum. On January 26, 1998, the Governing Board of the Water Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate the accrual of interest from July 1, 1996 until such time as all outstanding bonds are repaid,

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

7) LONG-TERM LIABILITIES - Continued

Water System Purchase Note - Continued

which at that time was scheduled for September 1, 2028. As per this agreement, the unpaid balance of this note at that time will accrue interest at 7.5%. Interest accrued through June 30, 1996 amounting to \$1,219,659 was unaffected by the purchase note amendment. In September 2005, the interest rate was amended to accrue on the unpaid balance at the rate of 5.0% per annum. Payments on the note payable are due quarterly each year. In the event of default, the City may take action any necessary at law or in equity to collect the payments. The outstanding balance on the Water System Purchase Note is \$813,169 at June 30, 2019.

The future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 813,619	\$ -	\$ 813,619
Total	\$ 813,619	\$ -	\$ 813,619

Revenues Pledged

The Authority has pledged a portion of water revenues to repay a note payable to the City of Adelanto. The note payable is secured solely by operating revenues from the Water Fund. Total principal and interest remaining on the note payable is \$813,619 payable through fiscal year 2020. For the current year, principal and interest paid by the water operating revenues was \$1,694,114 and \$153,957.

Wastewater System Purchase Note

On November 1, 1996, the Authority entered into a purchase agreement with the City to purchase the City's wastewater operations. The Authority issued a note payable in the amount of \$10,267,874, with accrued interest at 7.5% per annum. On January 26, 1998, the governing Board of the Authority and the City Council agreed to amend the purchase note on a retroactive basis to eliminate any accrual of interest payable to the City until such time as all outstanding bonds are repaid, which at that time was scheduled for November 1, 2026. As per this agreement, any unpaid balance at that time will accrue interest at 7.5%. In September 2005, the interest rate was amended to accrue on the unpaid balance at the rate of 5.0% per annum. Payments on the note payable are due quarterly each year. In the event of default, the City may take action any necessary at law or in equity to collect the payments. The outstanding balance on the Wastewater System Purchase Note is \$6,431,169 at June 30, 2019.

The future debt service requirements are as of follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,054,141	\$ 362,239	\$ 1,416,380
2021	1,961,149	268,851	2,230,000
2022	2,059,206	170,794	2,230,000
2023	1,356,673	67,834	1,424,507
Total	\$ 6,431,169	\$ 869,718	\$ 7,300,887

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

7) LONG-TERM LIABILITIES - Continued

Wastewater System Purchase Note - Continued

Revenues Pledged

The Authority has pledged a portion of wastewater revenues to repay a note payable to the City of Adelanto. The note payable is secured solely by operating revenues from the Wastewater Fund. Total principal and interest remaining on the note payable is \$7,300,887 payable through fiscal year 2023. For the current year, interest paid (no principal payment in the current year) by the wastewater operating revenues was \$400,511.

Defeased Debt

Fixed Rate Refunding Revenue Bonds, 2009 Series A

On or about December 28, 2017, the Adelanto Public Utility Authority issued \$29,145,000 Fixed Rate Refunding Revenue Bonds, 2017 Series A with an interest rate of 5% and \$41,710,000 Fixed Rate Refunding Revenue Bonds, 2017 Series B with interest rates of 3% to 4.75% to advance refund the Fixed Rate Refunding Revenue Bonds, 2009 Series A. The net proceeds were deposited in an irrevocable trust to provide funds for the future debt service payment on the refunded bonds. Accordingly, those trust account assets and the liability for those defeased bonds are not included in the Authority's financial statements. At June 30, 2019, \$67,530,000 of defeased bonds remain outstanding.

8) DEFICIT NET POSITION

The Wastewater Fund has a deficit net position of \$2,772,974 for the year ending June 30, 2019. The deficit is expected to be eliminated by revenue in future periods.

9) PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the Miscellaneous Plans, cost sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

9) PENSION PLAN - Continued

A. General Information about the Pension Plan - Continued

service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
	<u>Prior to January 1, 2013</u>	<u>On or After January 1, 2013</u>
Hire Date		
Benefit Formulas	2.0% at 60	2.0% at 62
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55+	62+
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7%	6.25%
Required Employer Contribution Rates	7.634%	6.842%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Authority's contributions to the Plan for the year ended June 30, 2019 were \$29,792.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the Authority reported a net pension liability (asset) for its proportionate share of the net pension liability of the Plan of \$(6,723).

The Authority's net pension liability (asset) for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The Authority's proportion of the net pension liability (asset) was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

9) PENSION PLAN - Continued

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

The Authority's proportionate share of the net pension liability (asset) for the Plan as of June 30, 2018 and 2019 was as follows:

Proportion		Change Increase (Decrease)
Fiscal Year June 30, 2019	Fiscal Year June 30, 2018	
(0.00018)%	0.00000%	(0.00018)%

For the fiscal year ended June 30, 2019, the Authority recognized pension expense (credit) of \$(13,534). At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 29,792	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's Proportionate share of contributions	52,675	(34,824)
Net differences between projected and actual earnings on plan investments	-	(33)
Total	<u>\$ 82,467</u>	<u>\$ (34,857)</u>

The Authority reported \$29,792 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year end June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,092
2021	6,154
2022	9,511
2023	61

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

9) PENSION PLAN - Continued

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

The Authority's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age & Service
Investment Rate of Return	7.15%
Mortality ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

⁽¹⁾The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return -The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

9) PENSION PLAN - Continued

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective July 1, 2017.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	-0.92%
 Total	 100%		

^(a) An expected inflation of 2.0% used for this period.

^(b) An expected inflation of 2.92% used for this period.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of project benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous Pension Plan
1% Decrease	6.15%
Net Pension Liability (Asset)	\$ 163,342
Current Discount Rate	7.15%
Net Pension Liability (Asset)	\$ (6,723)
1% Increase	8.15%
Net Pension Liability (Asset)	\$ (147,108)

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

9) PENSION PLAN - Continued

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan - At June 30, 2019, the Authority had \$4,162 contributions payable to the pension plan required for the year ended June 30, 2019.

10) RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Premiums are paid annually by the Authority. For the year ended June 30, 2019, the Authority insurance expenses are covered under the City's policy and paid for by the City's General Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. During the past three fiscal years there have been no settlements or judgements that exceeded insured coverage. There has been no significant reduction in insured liability coverage from coverage in the prior year. See the City of Adelanto separate financial statements for more information.

11) COMMITMENTS AND CONTINGENCIES

The City has been subjected to certain litigation matters which are relevant to the Authority. As of June 30, 2019, the Authority has reported a litigation liability of \$333,334 related to two open cases regarding terminations. There are additional cases in the pre-litigation phase and the Authority has a maximum liability of \$250,000 per case. In the opinion of management, the amount of losses that might be sustained, if any, from remaining cases the City is subject to, would not materially affect the financial position of the Authority.

12) SUBSEQUENT EVENTS

On March 19, 2020, the Governor of the State of California issued a Stay at Home Order for all California residences and nonessential services until further notice. This order was in response to the COVID-19 outbreak which the World Health Organization has characterized as pandemic. The stock markets were subsequently affected by large declines and volatility. The impact of COVID-19 on the Authority's operations and financial performance is uncertain at this time.

Adelanto Public Utility Authority
Notes to Financial Statements
Year Ended June 30, 2019

13) PRIOR PERIOD ADJUSTMENTS

The water and wastewater funds include prior period adjustments of \$(900,532) and \$(691,476). The adjustments related to interest payable not accrued in the prior year of \$(960,726) and \$(667,622) for the water and wastewater funds, respectively. The remaining adjustments of \$60,194 and \$(23,854) for the water and wastewater funds, respectively, relate to accrued receivables, other payables and cash adjustments made from reconciling amounts in the City.

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REQUIRED SUPPLEMENTARY INFORMATION

Adelanto Public Utility Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last Ten Years⁽¹⁾
As of June 30, 2019

Fiscal Year	Proportion of the Net Pension Liability ⁽²⁾	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	(0.00062)%	\$ (15,422)	\$ 128,877	(11.97)%	103.66%
2016	(0.00025)%	\$ (8,794)	\$ 81,452	(10.80)%	102.00%
2017	(0.00025)%	\$ (8,794)	\$ 81,452	(10.80)%	102.00%
2018	0.00000%	\$ 127	\$ 143,152	0.09%	99.06%
2019	(0.00018)%	\$ (6,723)	\$ 147,447	(4.56)%	100.53%

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: In 2015, there was a change in assumptions regarding the discount rate. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expenses. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. In 2017, the discount rate was reduced from 7.65% to 7.15%.

- ⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.
- ⁽²⁾ The net pension asset and related information are the same for fiscal years 2016 and 2017 due to the timing of the actuarial calculation. Fiscal year 2017 used the valuation as of June 30, 2016 since the June 30, 2017 calculation was not available.


Adelanto Public Utility Authority
Schedule of Contributions
Last Ten Years*
As of June 30, 2019

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 17,648	\$ (17,648)	\$ -	\$ 128,877	13.69%
2016	\$ 8,411	\$ (8,411)	\$ -	\$ 81,452	10.33%
2017	\$ 12,278	\$ (12,278)	\$ -	\$ 143,152	8.58%
2018	\$ 38,456	\$ (38,456)	\$ -	\$ 147,447	26.08%
2019	\$ 29,792	\$ (29,792)	\$ -	\$ 286,781	10.39%

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West 3rd Street, Unit 150 San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 10, 2021 
FROM: MICHAEL TUERPE, Senior Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM 14: Continued Monitoring from LAFCO 3231
(Countywide Fire Service Review) for Barstow Fire Protection District and
the City of Barstow

RECOMMENDATION:

Staff recommends that the Commission:

1. Receive and file this report.
2. Schedule an update for the Barstow Fire Protection District/City of Barstow for the July 21, 2021 meeting, unless otherwise directed by the Commission.

BACKGROUND:

As an outgrowth from LAFCO's February 2020 Countywide Fire Service Review (LAFCO 3231), the Commission directed staff to return at its September 2020 meeting with an update on the sustainability of the Barstow Fire Protection District and its parent agency, the City of Barstow. In September 2020, due to the current pandemic and fire-related matters stressing the staff resources of fire agencies, the City of Barstow/Barstow FPD requested that the Commission continue this update.

CHANGES AT BARSTOW:

This hearing presents the first update since the service review for the District and the City (collectively referred to as Barstow). Two changes have occurred for these entities since the service review. First, the passage of Measure Q provides a new and stable revenue source for safety services. For fire and emergency medical services, the District increased staffing levels by nine positions (six firefighter paramedic and three battalion chiefs).

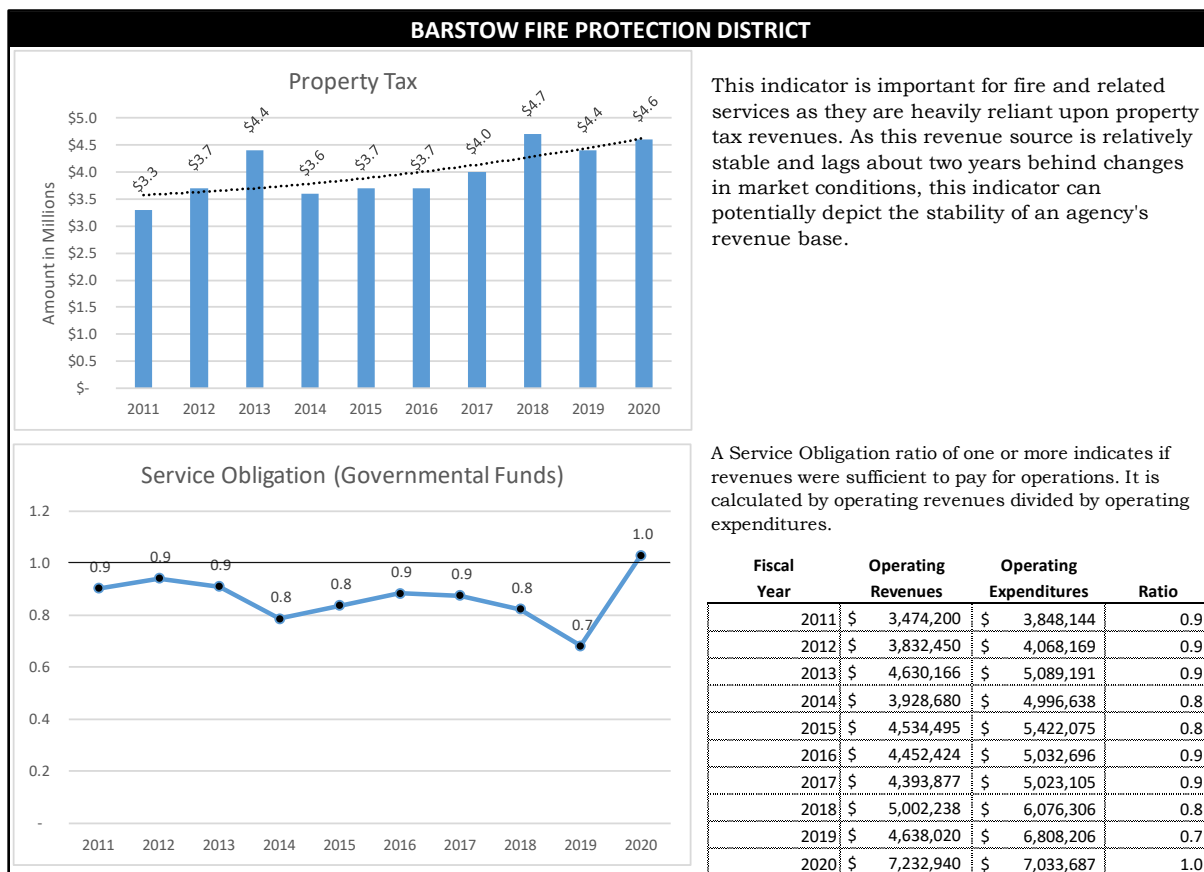
Second, all persons at Barstow who LAFCO staff coordinated with for the service review are not available for this update. These positions are the Fire Chief (long-term leave) and City Manager and Assistant City Manager/Finance Officer (no longer employed by the City).

The role of fire chief is being filled temporarily by the Assistant Fire Chief. The City Manager and Assistant City Manager/Finance Officer roles are being filled with interim positions. This creates a two-fold challenge: (1) those currently at the City were not a part of the service review, and (2) those currently at the City are in interim positions and most likely will not remain in those positions. Even so, Barstow is cooperating with this update and provided LAFCO with the District's mid-year ledger and mid-year Measure Q activity.

Due to the interim status of the top positions, Barstow requests a six-month continuance of the update (see Attachment #1). To reframe Barstow's request, it requests that the next update be in six months. Given the uncertainty surrounding Barstow, as well as the lack of a proper review since the completion of the service review in February 2020, LAFCO staff recommends that the Commission schedule the next update for July (four months) rather than September (six months).

LAFCO UPDATE:

Nonetheless, staff updated the Fiscal Indicators portion of the Fire Service Review with the recent audit information. As shown in the figure below for Property Tax, this revenue in 2019 returned to the high from 2013 and was surpassed in 2020. The key indicator Service Obligation, indicates if revenues were sufficient to pay for operations. As shown, 2020 is the first year since at least 2011 that revenues were sufficient to support operating expenditures. The previous two years experienced significant decreases in the ratio (0.9 to 0.8 then 0.7) with a sharp decrease in revenue and increase in expenditures in 2019.



With the receipt of Measure Q revenue, operations for 2020 were sustainable. In the letter from the Assistant Fire Chief, due to the passage of Measure Q the District was able to increase its staffing levels by nine positions (six fire fighter paramedic and three battalion chiefs).

The District provided staff with its Mid-Year Ledger (Attachment #2) and Measure Q Mid-Year Activity (Attachment #3). The data shows that the District is within the budget through the mid-year. A mid-year narrative is not available for this service review update as Barstow is in the process of drafting the mid-year report for City Council/District Board review.

CONCLUSION:

To reframe Barstow's request, it requests that the next update be in six months. Given the uncertainty surrounding Barstow, as well as the lack of a proper review since the completion of the service review in February 2020, LAFCO staff recommends that the Commission schedule the next update for July (four months) rather than September (six months).

SM/MT

Attachments:

1. [Letter from Barstow FPD dated March 4, 2021](#)
2. [Barstow FPD Mid-Year Ledger](#)
3. [Measure Q Mid-Year Activity for Barstow FPD](#)
4. [Barstow FPD Portion of Countywide Service Review](#)



Barstow Fire Protection District

(A subsidiary district of the City of Barstow)

COURTESY DUTY LOYALTY



March 04, 2021

Michael Tuerpe, Senior Analyst
Local Agency Formation Commission for San Bernardino County

Dear Mr. Tuerpe,

On behalf of the Barstow Fire Protection District and the City of Barstow this letter serves to provide an update on the Barstow Fire Protection District in preparation for the upcoming Commission meeting scheduled for March 17th, 2021. Specifically Discussion Item #11.

Since the original meeting between your agency and the Barstow Fire Protection District, tremendous changes have occurred in the City in terms of executive staff. Previously you had met with Assistant City Manager/Finance Officer Cindy Prothro, Fire Chief Jaime Williams and City Manager Nikki Salas. Neither Cindy nor Nikki are currently employed with the City and the Fire Chief is on long term leave and not available. So essentially the City Manager, Assistant City Manager/Finance Office duties are being filled with interim positions and as the Assistant Fire Chief, I am currently filling the role of Fire Chief until further notice. Unfortunately none of us were involved in the initial Fire Service Review for the Barstow Fire Protection District.

I would like to provide an update for you and the commission in terms of our service delivery system as it relates to the Fire Department. As a result of the passage of Measure Q the Fire Department was able to increase its staffing levels by 9 positions. We added six firefighter paramedic positions which allowed the department to add a paramedic squad to our daily response delivery system and we added three Battalion Chief Positions. These positions have allowed us to better serve the greater Barstow region. We may still have some challenges based on the unknown effect of revenue to our Measure Q General Tax as a result of the Covid-19 pandemic, but we are providing service and in fact it has been enhanced.

In terms of the financial status of the department, current city staff members are working diligently to complete mid-year financial status updates for all city departments, however they have not yet completed an up-date for the fire department.

Respectfully we would ask for an extension and that this review be continued for at least 6 months to better allow for city staff members time to provide a detailed financial audit to the commission as it relates to the continued monitoring for the Barstow Fire Protection District.

I have attached copies of the last quarter budget status for the Barstow Fire Protection District for both our Property Tax and Measure Q Funds showing that we are currently within budget. Thank you for your consideration.

Sincerely,

Sid Hultquist, Assistant Fire Chief

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02/03/2021 8:53AM
Periods: 1 through 7

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CITY OF BARSTOW
7/1/2020 through 1/31/2021

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
225.225.225.01 SALARIES						
225.225.225.01.101 SALARIES, REGULAR	1,924,754.00	907,343.42	907,343.42	0.00	1,017,410.58	47.14
225.225.225.01.103 OVERTIME SCHEDULED	0.00	154,455.01	154,455.01	0.00	-154,455.01	0.00
225.225.225.01.106 AUTO ALLOWANCE	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.01.108 SALARIES CASUAL	48,000.00	42,099.98	42,099.98	0.00	5,900.02	87.71
225.225.225.01.109 INSURANCE OFFSET	231,000.00	99,431.24	99,431.24	0.00	131,568.76	43.04
225.225.225.01.110 FIRE-STRIKE TEAM ABATEMENT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.01.115 ADMIN COST REIMBURSEMENT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.01.119 OT - STATE OF EMERGENCY COVID 19	0.00	8,744.29	8,744.29	0.00	-8,744.29	0.00
Total SALARIES	2,203,754.00	1,212,073.94	1,212,073.94	0.00	991,680.06	55.00
225.225.225.02 BENEFITS						
225.225.225.02.200 BENEFITS - HEALTH	0.00	574.65	574.65	0.00	-574.65	0.00
225.225.225.02.201 BENEFITS - RETIREMENT	943,408.00	422,487.23	422,487.23	0.00	520,920.77	44.78
225.225.225.02.202 BENEFITS - LIFE INSURANCE	7,600.00	3,156.12	3,156.12	0.00	4,443.88	41.53
225.225.225.02.203 BENEFITS - DENTAL	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.02.204 BENEFITS - UNEMPLOYMENT	5,000.00	0.00	0.00	0.00	5,000.00	0.00
225.225.225.02.205 BENEFITS - WORKERS' COMP	59,812.00	45,591.50	45,591.50	11,228.25	2,992.25	95.00
225.225.225.02.206 BENEFITS - DEFERRED COMP	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.02.207 UNIFORM ALLOWANCE	16,344.00	8,700.00	8,700.00	0.00	7,644.00	53.23
225.225.225.02.208 BENEFITS - MEDICARE	39,130.00	21,750.14	21,750.14	0.00	17,379.86	55.58
225.225.225.02.209 BENEFITS - VISION	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.02.210 BENEFITS - WORKERS COMP CLAIMS	100,000.00	25,746.09	25,746.09	0.00	74,253.91	25.75
225.225.225.02.211 BENEFITS-PARS	200.00	0.34	0.34	0.00	199.66	0.17
225.225.225.02.213 BILINGUAL SERVICES	1,500.00	180.00	180.00	0.00	1,320.00	12.00
225.225.225.02.214 BENEFITS- STATE DISABILITY INS	24,250.00	8,407.89	8,407.89	0.00	15,842.11	34.67
225.225.225.02.215 SICK LEAVE PAY OUT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.02.216 VACATION / ANNUAL LV PAY OUT	0.00	-402.40	-402.40	0.00	402.40	0.00
225.225.225.02.217 MEDICARE REIMBURSEMENT	0.00	0.00	0.00	0.00	0.00	0.00

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Expenditure Status Report

CITY OF BARSTOW
7/1/2020 through 1/31/2021

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
225.225.225.02.220 RETIREE HEALTH	460.00	0.00	0.00	0.00	460.00	0.00
225.225.225.02.222 RETIREE HEALTH COMPENSATION	16,157.00	14,278.86	14,278.86	0.00	1,878.14	88.38
225.225.225.02.223 BENEFIT PYMTS TO SBCERA	0.00	0.00	0.00	0.00	0.00	0.00
Total BENEFITS	1,213,861.00	550,470.42	550,470.42	11,228.25	652,162.33	46.27
225.225.225.03 EMPLOYEE DEVELOPMENT						
225.225.225.03.300 EDUCATIONAL REIMBURSEMENT	2,000.00	0.00	0.00	0.00	2,000.00	0.00
225.225.225.03.301 TRAVEL/TRAINING EXPENSES	2,600.00	1,784.96	1,784.96	0.00	815.04	68.65
225.225.225.03.305 DUES/SUBS/MEMBERSHIPS	5,000.00	3,237.48	3,237.48	0.00	1,762.52	64.75
Total EMPLOYEE DEVELOPMENT	9,600.00	5,022.44	5,022.44	0.00	4,577.56	52.32
225.225.225.04 COMMUNICATIONS						
225.225.225.04.401 COMMUNICATIONS	72,000.00	31,643.08	31,643.08	0.00	40,356.92	43.95
Total COMMUNICATIONS	72,000.00	31,643.08	31,643.08	0.00	40,356.92	43.95
225.225.225.05 SUPPLIES						
225.225.225.05.501 OFFICE SUPPLIES	7,600.00	2,716.10	2,716.10	0.00	4,883.90	35.74
225.225.225.05.510 POSTAGE/SHIPPING	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.05.519 COVID-19 SUPPLIES	1,000.00	388.77	388.77	0.00	611.23	38.88
225.225.225.05.523 EMS/MEDICAL SUPPLIES	23,400.00	19,819.25	19,819.25	0.00	3,580.75	84.70
225.225.225.05.524 FIRE EQUIPMENT	22,000.00	4,848.45	4,848.45	3,839.10	13,312.45	39.49
225.225.225.05.525 TECHNICAL SUPPLIES	16,500.00	11,109.36	11,109.36	0.00	5,390.64	67.33
Total SUPPLIES	70,500.00	38,881.93	38,881.93	3,839.10	27,778.97	60.60
225.225.225.06 SERVICES						
225.225.225.06.601 VEHICLE FUEL COST	50,000.00	20,239.56	20,239.56	0.00	29,760.44	40.48
225.225.225.06.608 VEHICLE MAINTENANCE COST	75,000.00	24,485.09	24,485.09	1,995.00	48,519.91	35.31
225.225.225.06.612 REPAIRS/MAINTENANCE	33,000.00	11,304.47	11,304.47	1,450.00	20,245.53	38.65
225.225.225.06.626 PROF SERV. LEGAL	100,000.00	13,197.67	13,197.67	0.00	86,802.33	13.20
225.225.225.06.628 AUDIT EXPENSE	50,000.00	0.00	0.00	0.00	50,000.00	0.00

Expenditure Status Report

CITY OF BARSTOW
7/1/2020 through 1/31/2021

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
225.225.225.06.630 FEES/SERVICES	48,460.00	34,175.46	34,175.46	0.00	14,284.54	70.52
225.225.225.06.631 MEETING STIPEND	5,000.00	3,075.00	3,075.00	0.00	1,925.00	61.50
225.225.225.06.632 PERSONNEL RECRUITMENT - FIRE	3,500.00	1,322.03	1,322.03	0.00	2,177.97	37.77
225.225.225.06.633 INCIDENT SUPPORT	500.00	0.00	0.00	0.00	500.00	0.00
225.225.225.06.634 COVID-19 SERVICES	0.00	5,637.04	5,637.04	0.00	-5,637.04	0.00
225.225.225.06.635 FIRE PREVENTION	3,500.00	0.00	0.00	0.00	3,500.00	0.00
225.225.225.06.636 OTHER STRIKE TEAM COSTS	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.06.637 SHARED DISPATCH COSTS	205,000.00	119,583.35	119,583.35	0.00	85,416.65	58.33
225.225.225.06.644 IT COST ALLOCATION	18,980.00	1,002.00	1,002.00	1,002.00	16,976.00	10.56
225.225.225.06.645 SAFETY EQUIPMENT	34,000.00	11,597.11	11,597.11	17,233.18	5,169.71	84.79
Total SERVICES	626,940.00	245,618.78	245,618.78	21,680.18	359,641.04	42.64
225.225.225.07 TAXES/INSURANCE/MISCELLANEOUS						
225.225.225.07.701 PRINCIPAL-GF LOAN REPAYMENT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.07.702 INTEREST-GF LOAN REPAYMENT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.07.705 INSURANCE CLAIMS	2,500.00	0.00	0.00	0.00	2,500.00	0.00
225.225.225.07.717 INTEREST EXPENSE	20,000.00	0.00	0.00	0.00	20,000.00	0.00
225.225.225.07.720 INSURANCE, PROPERTY	13,733.00	13,733.00	13,733.00	0.00	0.00	100.00
225.225.225.07.724 INSURANCE, LIABILITY	75,317.00	75,317.00	75,317.00	0.00	0.00	100.00
225.225.225.07.725 INSURANCE, EPL	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.07.727 INSURANCE, AUTO	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.07.731 CAPITAL LEASE-PNC EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.07.733 CAP-LEASE-ENTERPRISE PROG	16,000.00	9,061.39	9,061.39	6,484.25	454.36	97.16
225.225.225.07.750 EQUIPMENT GRANT	0.00	0.00	0.00	0.00	0.00	0.00
Total TAXES/INSURANCE/MISCELLANEOUS	127,550.00	98,111.39	98,111.39	6,484.25	22,954.36	82.00
225.225.225.08 CAPITAL EQUIP/PROJECTS						
225.225.225.08.803 FY 12-CUSTOM CAB TYPE I FIRE ENGINE	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.805 HEART MONITORS (2)	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.806 DISPATCH CENTER START UP COSTS	0.00	0.00	0.00	0.00	0.00	0.00

Expenditure Status Report

CITY OF BARSTOW
7/1/2020 through 1/31/2021

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
225.225.225.08.807 HELMET REPLACEMENT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.808 NO POSTING	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.809 NO POSTING	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.810 NO POSTING	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.812 FY13 - MOBILE GENERATOR 25%	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.814 FY13 - VEHICLE LIFT 50%	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.815 FIRE STATION 1 NETWORK CONNECTION	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.816 CUSTOM CAB TYPE I FIRE ENGINE	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.818 MESSAGE READER BOARD	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.819 CATONOGRAPHY	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.820 SECURITY CAMERA SYSTEM	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.821 EMPG 8 LAPTOP COMPUTERS	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.823 VEHICLE HOIST	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.825 2014 FIRE HOMELAND SECURITY GRANT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.826 SAFER EQUIPEMNT GRANT	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.08.899 FA FY11 FIRE DEPT ASSET CONVERSION	0.00	0.00	0.00	0.00	0.00	0.00
Total CAPITAL EQUIP/PROJECTS	0.00	0.00	0.00	0.00	0.00	0.00
225.225.225.09 TRANSFERS/CONTINGENCY/CONTRAS						
225.225.225.09.905 COST ALLOCATION	400,000.00	233,333.35	233,333.35	0.00	166,666.65	58.33
225.225.225.09.999 TRANSFERS TO OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00
Total TRANSFERS/CONTINGENCY/CONTRAS	400,000.00	233,333.35	233,333.35	0.00	166,666.65	58.33
225.225.225.14 ELECTRICITY						
225.225.225.14.460 ELECTRICITY	35,000.00	35,303.61	35,303.61	0.00	-303.61	100.87
Total ELECTRICITY	35,000.00	35,303.61	35,303.61	0.00	-303.61	100.87
225.225.225.24 NATURAL GAS						
225.225.225.24.460 NATURAL GAS/861 BARSTOW ROAD	4,000.00	1,219.77	1,219.77	0.00	2,780.23	30.49
225.225.225.24.461 NATURAL GAS/2600 WEST MAIN STREET	2,000.00	819.22	819.22	0.00	1,180.78	40.96

Expenditure Status Report

CITY OF BARSTOW
7/1/2020 through 1/31/2021

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
Total NATURAL GAS	6,000.00	2,038.99	2,038.99	0.00	3,961.01	33.98
225.225.225.34 WATER						
225.225.225.34.460 WATER	10,000.00	9,219.05	9,219.05	0.00	780.95	92.19
Total WATER	10,000.00	9,219.05	9,219.05	0.00	780.95	92.19
Total BARSTOW FIRE PROTECTION DISTRICT	4,775,205.00	2,461,716.98	2,461,716.98	43,231.78	2,270,256.24	52.46
Grand Total	4,775,205.00	2,461,716.98	2,461,716.98	43,231.78	2,270,256.24	52.46

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Expenditure Status Report

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CITY OF BARSTOW
7/1/2020 through 1/31/2021

103 MEASURE Q - FIRE

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
103.225.225.01 SALARIES						
103.225.225.01.101 SALARIES, REGULAR	766,017.00	429,712.24	429,712.24	0.00	336,304.76	56.10
103.225.225.01.103 OVERTIME SCHEDULED	500,000.00	457,301.09	457,301.09	0.00	42,698.91	91.46
103.225.225.01.109 INSURANCE OFFSET	105,000.00	55,956.23	55,956.23	0.00	49,043.77	53.29
103.225.225.01.119 OT - STATE OF EMERGENCY COVID 19	0.00	9,574.52	9,574.52	0.00	-9,574.52	0.00
Total SALARIES	1,371,017.00	952,544.08	952,544.08	0.00	418,472.92	69.48
103.225.225.02 BENEFITS						
103.225.225.02.201 BENEFITS - RETIREMENT	394,722.00	205,851.38	205,851.38	0.00	188,870.62	52.15
103.225.225.02.202 BENEFITS - LIFE INSURANCE	3,000.00	1,761.58	1,761.58	0.00	1,238.42	58.72
103.225.225.02.205 BENEFITS - WORKERS' COMP	23,804.00	18,145.28	18,145.28	4,468.64	1,190.08	95.00
103.225.225.02.207 UNIFORM ALLOWANCE	8,100.00	3,600.00	3,600.00	0.00	4,500.00	44.44
103.225.225.02.208 BENEFITS - MEDICARE	27,000.00	9,396.68	9,396.68	0.00	17,603.32	34.80
103.225.225.02.210 BENEFITS - WORKERS COMP CLAIMS	0.00	-1,613.53	-1,613.53	0.00	1,613.53	0.00
103.225.225.02.214 BENEFITS- STATE DISABILITY INS	9,000.00	4,951.87	4,951.87	0.00	4,048.13	55.02
103.225.225.02.216 VACATION / ANNUAL LV PAY OUT	0.00	-269.65	-269.65	0.00	269.65	0.00
103.225.225.02.220 RETIREE HEALTH	0.00	0.00	0.00	0.00	0.00	0.00
103.225.225.02.223 BENEFIT PYMTS TO SBCERA	832,000.00	832,312.00	832,312.00	0.00	-312.00	100.04
Total BENEFITS	1,297,626.00	1,074,135.61	1,074,135.61	4,468.64	219,021.75	83.12
103.225.225.03 EMPLOYEE DEVELOPMENT						
103.225.225.03.301 TRAVEL/TRAINING EXPENSES	11,000.00	795.02	795.02	0.00	10,204.98	7.23
Total EMPLOYEE DEVELOPMENT	11,000.00	795.02	795.02	0.00	10,204.98	7.23
103.225.225.05 SUPPLIES						
103.225.225.05.501 OFFICE SUPPLIES	1,300.00	0.00	0.00	0.00	1,300.00	0.00
103.225.225.05.523 EMS/MEDICAL SUPPLIES	11,600.00	0.00	0.00	0.00	11,600.00	0.00
103.225.225.05.524 FIRE EQUIPMENT	38,500.00	33,305.44	33,305.44	0.00	5,194.56	86.51

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Expenditure Status Report

CITY OF BARSTOW
7/1/2020 through 1/31/2021

103 MEASURE Q - FIRE

225 BARSTOW FIRE PROTECTION DISTRICT

225 BARSTOW FIRE PROTECTION DISTRICT

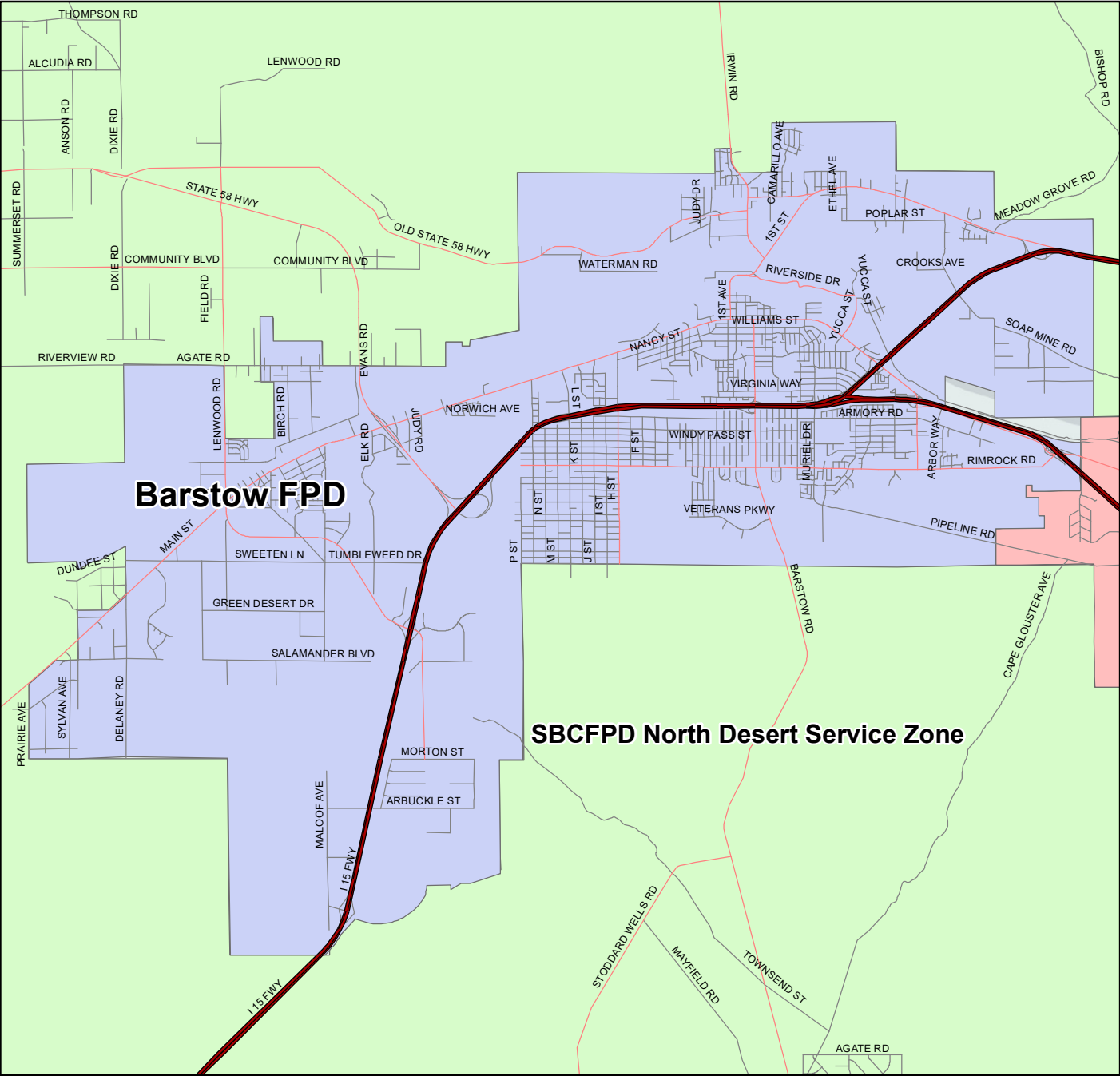
<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
103.225.225.05.525 TECHNICAL SUPPLIES	22,350.00	0.00	0.00	0.00	22,350.00	0.00
Total SUPPLIES	73,750.00	33,305.44	33,305.44	0.00	40,444.56	45.16
103.225.225.06 SERVICES						
103.225.225.06.601 VEHICLE FUEL COST	20,000.00	0.00	0.00	0.00	20,000.00	0.00
103.225.225.06.608 VEHICLE MAINTENANCE COST	10,000.00	1,243.71	1,243.71	0.00	8,756.29	12.44
103.225.225.06.630 FEES/SERVICES	1,000.00	0.00	0.00	0.00	1,000.00	0.00
103.225.225.06.632 PERSONNEL RECRUITMENT COSTS	5,000.00	0.00	0.00	0.00	5,000.00	0.00
103.225.225.06.645 SAFETY EQUIPMENT	85,700.00	18,135.94	18,135.94	28,280.44	39,283.62	54.16
Total SERVICES	121,700.00	19,379.65	19,379.65	28,280.44	74,039.91	39.16
103.225.225.07 TAXES/INSURANCE/MISCELLANEOUS						
103.225.225.07.701 PRINCIPAL-GF LOAN REPAYMENT	500,000.00	500,000.00	500,000.00	0.00	0.00	100.00
103.225.225.07.702 INTEREST-GF LOAN REPAYMENT	0.00	0.00	0.00	0.00	0.00	0.00
103.225.225.07.733 CAP-LEASE-ENTERPRISES PROG MEAS Q FIRE	30,000.00	16,189.51	16,189.51	5,120.00	8,690.49	71.03
Total TAXES/INSURANCE/MISCELLANEOUS	530,000.00	516,189.51	516,189.51	5,120.00	8,690.49	98.36
103.225.225.08 CAPITAL EQUIP/PROJECTS						
103.225.225.08.801 MEDIC SQUAD	0.00	0.00	0.00	0.00	0.00	0.00
103.225.225.08.802 HVAC FS361	0.00	0.00	0.00	0.00	0.00	0.00
103.225.225.08.803 BC VEHICLE	0.00	0.00	0.00	0.00	0.00	0.00
103.225.225.08.881 FACILITY IMPROVEMENTS - FIRE	0.00	32.89	32.89	0.00	-32.89	0.00
103.225.225.08.882 MACHINERY & EQUIP \$20k AND UP - FIRE	0.00	0.00	0.00	0.00	0.00	0.00
103.225.225.08.899 HW/SW/NETWORK - FIRE	0.00	0.00	0.00	0.00	0.00	0.00
Total CAPITAL EQUIP/PROJECTS	0.00	32.89	32.89	0.00	-32.89	0.00
103.225.225.09 TRANSFERS/CONTINGENCY/CONTRAS						
103.225.225.09.225 TRANSFER-FIRE DISTRICT	0.00	0.00	0.00	0.00	0.00	0.00
103.225.225.09.999 TRANSFERS TO OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00
Total TRANSFERS/CONTINGENCY/CONTRAS	0.00	0.00	0.00	0.00	0.00	0.00


Expenditure Status Report

CITY OF BARSTOW
7/1/2020 through 1/31/2021

Total MEASURE Q - FIRE	3,405,093.00	2,596,382.20	2,596,382.20	37,869.08	770,841.72	77.36
Grand Total	3,405,093.00	2,596,382.20	2,596,382.20	37,869.08	770,841.72	77.36

Barstow Fire Protection District



Principal Act	Health & Safety Code, Div 12, Pt 2.7: §13800 et seq.	Year Formed	1970	Governance	Barstow City Council
Area	45.71 sq mi	Population	31,933 (2018)	Website	https://www.barstowca.org/city-hall/city-departments/fire-protection-district-1252
LAFCO Fiscal Indicators	http://sbclafco.org/FiscalIndicators/SubsidiaryDistricts/BarstowFPD.aspx				
LAFCO Service Reviews					
Round 1, by agency	http://www.sbclafco.org/Proposals/ServiceReviews/NorthDesertRegion/Barstow.aspx				
Round 2, water	N/A				
Round 2, sewer	N/A				
<div><div><div>0</div><div>0.75</div><div>1.5</div><div>3</div></div><div>Miles</div><div>N</div></div>				<div><div><div>Barstow Fire Protection District</div><div>Marine Corps Logistics Base</div><div>San Bernardino County Fire Protection District North Desert Service Zone</div></div></div>	
<div><div><div></div><div>Disclaimer: The information shown is intended to be used for general display only and is not to be used as an official map.</div></div><div><div>Agency service area shown, not jurisdiction boundary</div></div></div>					

1. LAFCO Conclusions and Recommendations

A. Continued Monitoring

The City of Barstow's revenues have not kept pace with the growing costs associated with providing local municipal services and facilities, including emergency response services provided by the Barstow Fire Protection District, which has operated at a significant deficit since FY 2013-14. In FY 2017-18, the Barstow Fire Protection District suffered recurring losses from operations and had a deficit fund balance of \$3,432,294 in the General Fund and a deficit net position of \$11,458,977 on the government-wide financial statements that raised substantial doubt about its ability to continue as a going concern.

LAFCO determines that continued monitoring take place for the City of Barstow and its subsidiary district, the Barstow Fire Protection District. The first status report is scheduled for LAFCO's September 16, 2020 meeting.

B. Area outside the Barstow Fire Protection District

There is land within the Barstow Fire Protection District's sphere of influence that is not a part of any fire agency's jurisdiction. The land comprises 187 acres and is located at the east end of the City, surrounded by the Barstow Fire Protection District and portion by the Marine Corps Logistics Base. The County Assessor's records identify that the City of Barstow owns all the properties, and the area is within the City's jurisdiction as well; therefore, these lands are tax exempt. Yet, the Barstow Fire Protection District is the first responder to this area - outside its jurisdiction.

LAFCO 3000, the County Fire reorganization from 2008, could have addressed this area since the reorganization annexed all lands that were not within a fire provider. Whereas the legal description for the reorganization correctly named the Barstow Fire Protection District as an exclusion area, it incorrectly named the City of Barstow as an exclusion area (the City is not a fire agency). As a result, the area remains outside a fire agency's jurisdiction.

LAFCO recommends that an affected agency (City of Barstow or the Barstow Fire Protection District) submit an application to annex the 187-acre area to the Barstow Fire Protection District.

C. Dispatch

The Barstow City Council, acting as the governing body of the City of Barstow and the Barstow Fire Protection District, designated the dispatch system of the Barstow Police Department as the dispatcher of the Barstow Fire Protection District. In addition, the fire chief of the Barstow Fire Protection District reports to the Barstow Police Chief for dispatch matters and to the City Manager for all other matters.

LAFCO concludes that the fire chief of the Barstow Fire Protection District, being a self-governed district, should have a clear and single chain of reporting. LAFCO recommends that the City of Barstow and Barstow Fire Protection District evaluate the authority and reporting chain of the fire chief of the Barstow Fire Protection District.

2. Overview and Brief History

Below are excerpts from the District's Strategic Plan describing the history of the Barstow Fire Protection District:

On May 24, 1926, the San Bernardino County Board of Supervisors authorized the formation of the Barstow Fire Protection District. The District included approximately four square miles and had no equipment for firefighting. The population was barely 1,000. The total assessed tax valuation was less than one million dollars. In September 1926, through a tax initiative by the tax payers, the District acquired its first fire engine, a 1922 Model T Ford.¹

In January of 1936, the District continued to expand and the first fire station was incorporated within the town meeting hall, located at 209 North First Avenue. The Town Hall/ Station was dedicated on September 23, 1939. Volunteers were called to emergencies by sirens that were placed throughout the community. Personnel would respond to their station for that assignment. The first person to arrive at the station would then call the alarm center, (located in someone's house) to get the assignment and write it on a chalk board.

The District expanded in the early 1950s. Two stations were built and equipped with apparatus. One was located on Nancy and "G" Street and the other on Paris, just off of West Main Street in Lenwood. An additional station was built behind a house on the Northeast corner of Bigger Street and Adele Drive. On July 1, 1957, the District changed from an "all-volunteer" district to a combination of volunteer and career personnel.

In 1959, the District's boundaries were expanded to include portions of the Lenwood area when the residents of the area requested inclusion into the District.²

In 2010, for economic reasons, the City of Barstow and the Barstow Fire Protection District issued a joint resolution to establish the District as a subsidiary district of the City of Barstow. The Commission approved the proposal (LAFCO 3161).

Today, the Barstow Fire Protection District ("District") serves a population of roughly 48,000. The District operates out of two active stations, Station 361 at 861 Barstow Road which also serves as District Headquarters, and Station 363 located at 2600 W. Main Street. Station 362, located at 29780 Hwy 58, is currently inactive and used for storage purposes only.

¹ Recognizing the need for organized fire service in the community, the County Board of Supervisors approved the formation of the District. Fire District status meant that Barstow residents could get fire insurance for the buildings along the new Main Street.

² Once Upon a Desert. Mojave River Valley Museum Association, Barstow, CA, 1994; Patricia Keeling, Editor.

The District's boundary comprises approximately 45.6 square miles and includes the majority of the City of Barstow and the unincorporated communities of Lenwood and Barstow Heights. Although the 9.65 square mile Marine Corps Logistics Base Barstow is located within the City of Barstow's municipal boundary, it is not within the District's boundary, and the District does not provide fire and emergency services to the Base. The Marine Corps serves the Base property through its own Fire and Emergency Services Department.

On July 16, 2018, the Barstow City Council voted unanimously to place Measure Q, a public safety and city services measure, on the November 2018 ballot. The City's resolution justified the tax measure by stating that the City's revenues have not kept pace with the growing costs associated with providing local municipal services and facilities, including emergency response services provided by the Barstow Fire Protection District, which has operated at a significant deficit since FY 2014. A majority of the voters (59.28%) approved Measure Q, allowing for the collection of a one-cent General Transaction and Use Tax (sales tax) that projects to generate up to \$7 million annually in local funding to sustain the fire department (District), support police services by adding officers, maintain street repairs, and help fund senior and youth programs. The measure requires resident oversight, independent audits, and expires if police or fire services transfer to another agency.

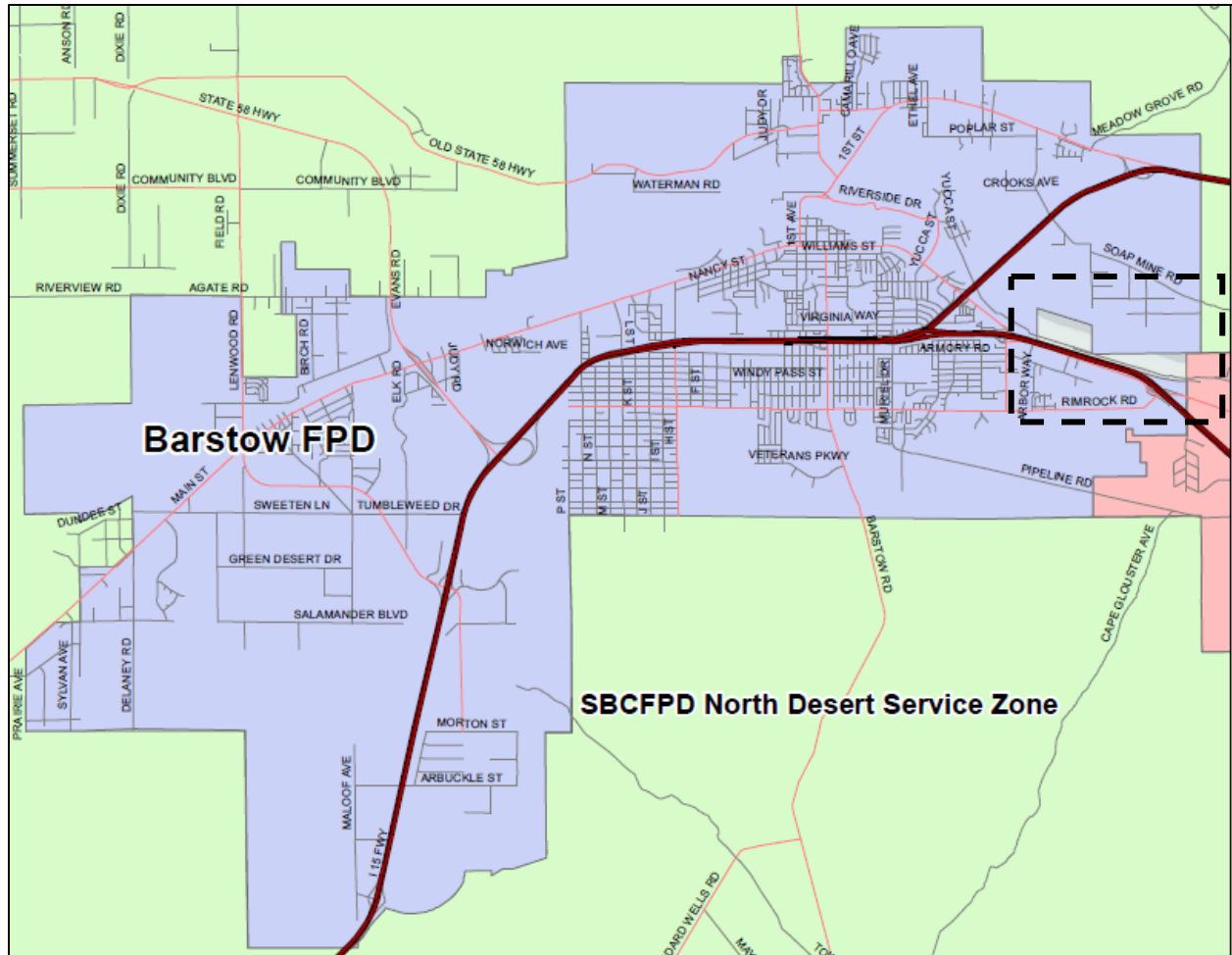
3. Boundary and Sphere of Influence Review

As shown on the maps below, there is land within the Barstow Fire Protection District's sphere of influence that is not a part of any fire agency's jurisdiction. The land comprises 187 acres and is located at the east end of the City, abutting the Marine Corps Logistics Base and County Fire's jurisdiction. The County Assessor's records identify that the City of Barstow owns all the properties, and the area is within the City's jurisdiction as well; therefore, these lands are tax exempt. Yet, the Barstow Fire Protection District is the first responder to this area - outside its jurisdiction.

LAFCO 3000, the County Fire reorganization from 2008, could have addressed this area since the reorganization annexed all lands that were not within a fire provider. Whereas the legal description correctly named the Barstow Fire Protection District as an exclusion area, it incorrectly named the City of Barstow as an exclusion area (the City is not a fire agency). As a result, the area did not annex to County Fire and remains outside a fire agency's jurisdiction.

However, the District has always been the first responder to this area.

Part II, Section 4
Barstow Fire Protection District



See Detail
Map Below



4. General Operations

The District completed a questionnaire that identifies services performed within its boundary, automatic and mutual aid agreements, full-time services provided outside its boundary (if any), fire station listing, apparatus listing, shared facilities, if it has a special tax or assessment, and ISO rating(s).

The District's response is included at the rear of this agency's profile.

5. Service Delivery Unique to the Agency

A. Dispatch

The Barstow City Council, acting as the governing body of the City of Barstow and the Barstow Fire Protection District, designated the dispatch system of the Barstow Police Department as the dispatcher of the Barstow Fire Protection District. In addition, the fire chief of the Barstow Fire Protection District reports to the Barstow Police Chief for dispatch matters and to the City Manager for all other matters.

B. Fire Explorer/Youth Programs

Fire Service Exploring is a program offered by *Learning for Life*³ that introduces major aspects of the fire service to young adults ages 14–21, or in the ninth grade. Once enough training has been acquired, Explorers can be allowed on actual fire/medical calls under certain conditions. The program is divided into numbered local groups called "Posts" which are sponsored and organized by a fire department in the area. The District provides some funding, materials, gear, and a place to meet and train.

6. Master or Strategic Plan

The *Barstow Fire Protection District 5-Year Strategic Plan Report* was completed in 2019 which provides a framework to guide the District's policies and operations over the next five years and help ensure the provision of high quality and reliable services to the community. The Plan includes a SWOT (strengths, weaknesses, opportunities and threats) analysis and identifies critical issues and service gaps, strategic goals and action items. Action items, to be implemented over the next five years given available funding sources, include additional staffing, equipment replacement, and fire station and technology upgrades.

7. Prior Service Review

This agency's first service review is available via the link located underneath the agency map on the first page of this profile section. The previous service review referenced the

³ Learning for Life (LFL) is a school and work-site based youth program that is an affiliate of the Boy Scouts of America. It utilizes programs designed for schools and community-based organizations that are designed to prepare youth for the complexities of contemporary society and to enhance their self-confidence, motivation, and self-esteem, and for careers.

District's financial statements and 2007 Master Plan and identified revenue challenges which resulted in decreased response times.

8. Financial Ability to Provide Services

To make the required service review determination of an agency's financial ability to provide services, LAFCO referenced the agency's own financial documents (audits, budgets, capital improvement program). Additionally, LAFCO's Fiscal Indicators Program shows fiscal trends for an agency and allows for an agency comment. The information below incorporates all of the information and sources identified above.

A. Overview

The City of Barstow's revenues have not kept pace with the growing costs associated with providing local municipal services and facilities, including emergency response services provided by the Barstow Fire Protection District, which has operated at a significant deficit since FY 2013-14. In FY 2017-18, the Barstow Fire Protection District suffered recurring losses from operations and had a deficit fund balance of \$3,432,294 in the General Fund and a deficit net position of \$11,458,977 on the government-wide financial statements that raised substantial doubt about its ability to continue as a going concern. According to City staff, the going concern should be expressed in the District's audits for the next several years, until the loans are paid off to the City and funds from Measure Q are realized.

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual Amounts</i>	<i>Variance with Final Budget</i>
Total Revenues	\$4,831,535	\$5,151,535	\$5,002,238	(\$149,297)
Expenditures				
Fire Public Safety	5,676,582	5,982,004	6,076,306	(94,302)
Capital Outlay				
Debt Service:				
Debt-Interest and fiscal charges				
Total Expenditures	5,676,582	5,982,004	6,076,306	(94,302)
Revenues Over (Under) Expenditures	(845,047)	(830,469)	(1,074,068)	(243,599)
Other Financing Sources (Uses):	35,000	35,000	30,406	(4,594)
Net Change in Fund Balance	(810,047)	(795,469)	(1,043,662)	(248,193)
Fund balance, beginning of year			(2,388,632)	
Fund balance, end of year			(3,432,294)	

Source: FY 2017-18 audit

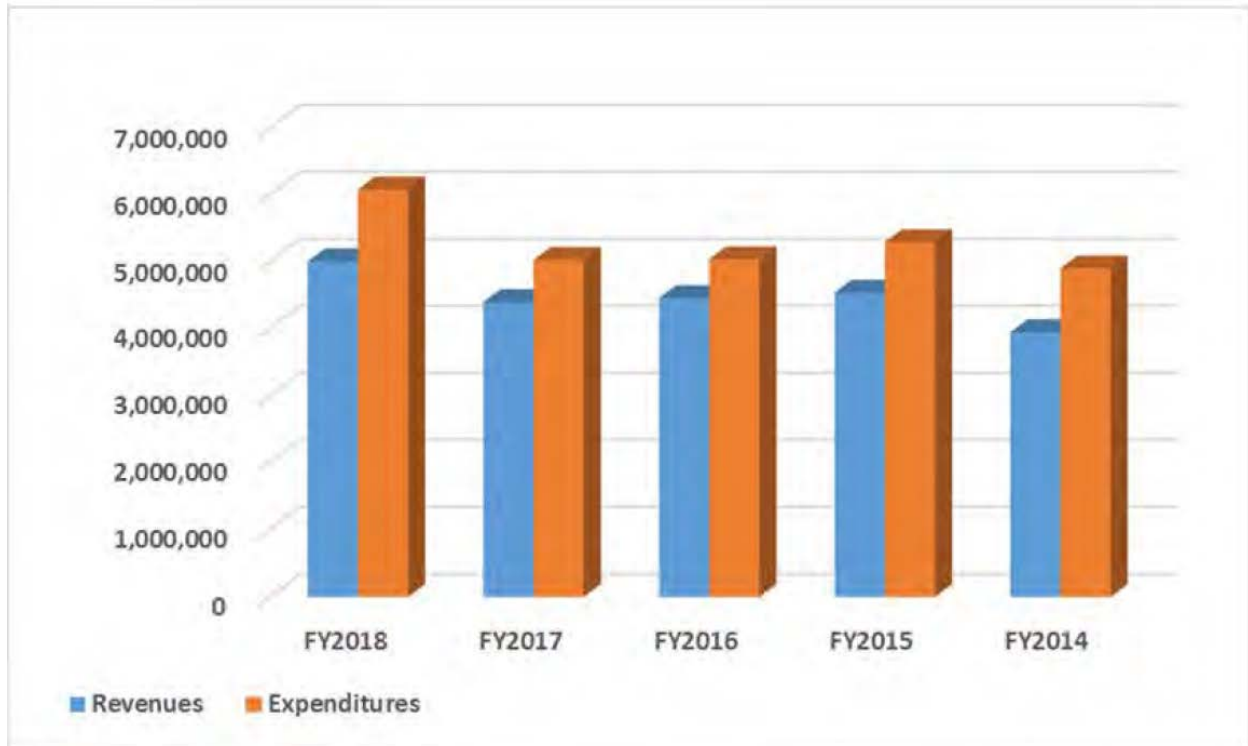
Due to the funding challenges, the District and City were discussing potential operational cuts to programs as well as potential closing of one of its two active stations. Fortunately, at a minimum, the passage of Measure Q should stabilize the District, and at best provide funding for an additional station.

On October 1, 2018, the City Council approved the amended and restated loan agreement entered into between the City of Barstow and the Barstow Fire Protection. The restated total amount of the loans consist of the combined amounts of \$600,000 in the Revenue Anticipation Note, the \$900,000 loan agreement for initial contribution to SBCERA retirement, and \$1,168,698 for dispatch cost and cost allocations that were previously not included in the budget. The amended and restated amount totals \$4.154 million. This agreement was created to ensure proper tracking and accounting of the inter-fund loan.

As of the end of the current fiscal year, the District's governmental fund reported a deficit fund balance of \$3.4 million. The increase in fund balance was primarily related to the District's efforts to stabilize the increasingly volatile pension costs with the Barstow Fire Protection District entering into an agreement with SBCERA to transition the firefighters from the Other Safety Pool to the County Safety Pool.

During FY 2017-18, the District transferred from the "Other Safety" cost group within SBCERA to the "County Safety" cost group to achieve future savings in the cost of the District's contributions to SBCERA. Such transfer must be made in a manner that does not shift the present unfunded liability burden associated with the District, or a portion thereof, to the County. The Parties have agreed that the amount that must be contributed to SBCERA to effectuate the inclusion of the District into the present County Safety cost group, and avoid negatively impacting the County as a result thereof, is \$8,485,000 calculated as of June 30, 2018. The parties have further agreed that this amount may be amortized over twenty years at SBCERA's assumed rate of return for investments, which is 7.5%, resulting in twenty annual payments of \$832,312 beginning on or before July 1, 2017, and continuing on or before each successive July 1 thereafter, through and including July 1, 2036. The payments are considered supplemental contributions in addition to the regular employer contribution rates annually set by the SBCERA Board of Retirement and approved by the County Board of Supervisors.

The following chart summarizes the District's revenues and expenditures for the past five audited years.



Source: FY 2017-18 audit

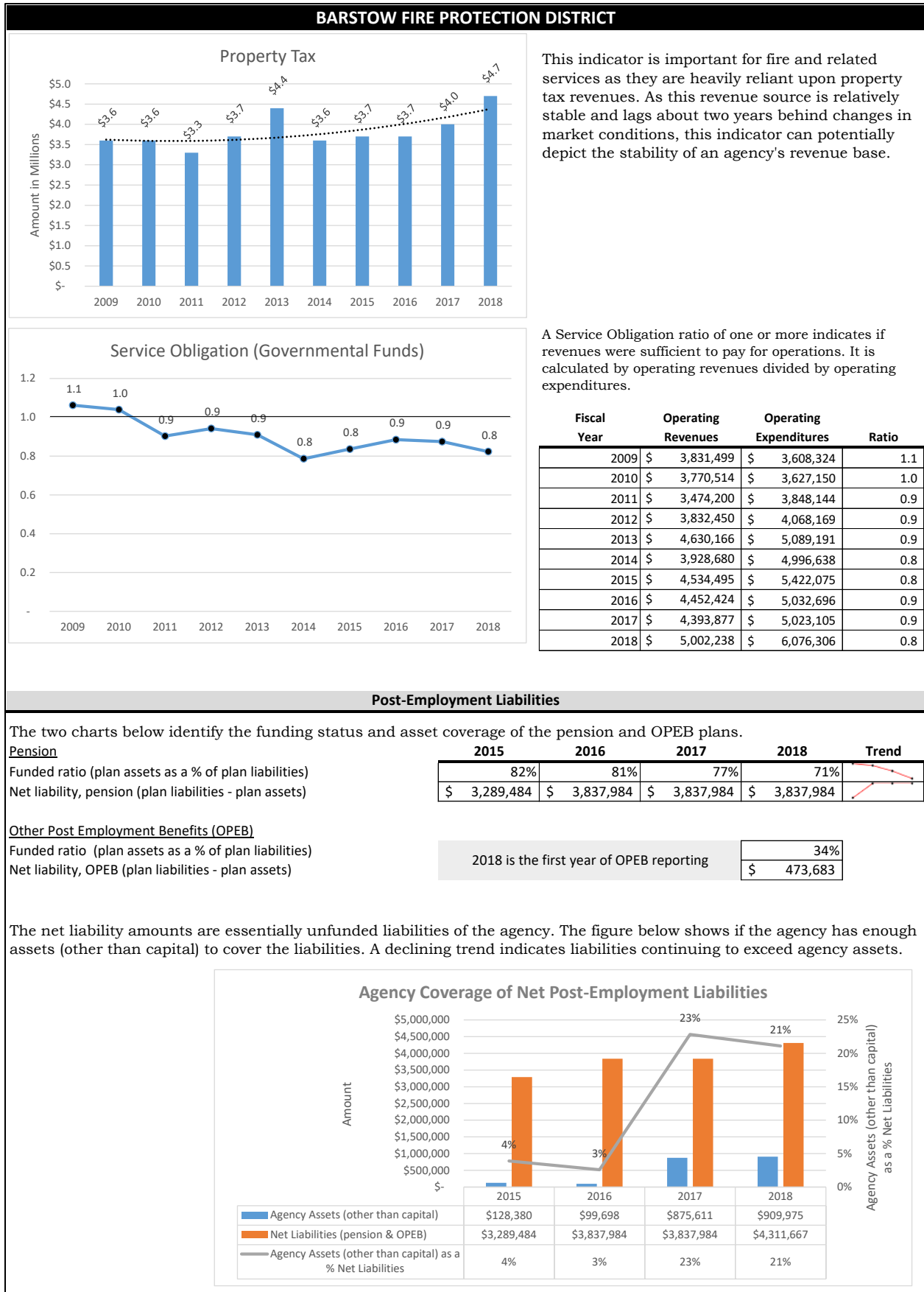
B. Fiscal Indicators

Select fiscal indicators are shown graphically below. Additional fiscal indicators are available via the Fiscal Indicator link located underneath the agency map on the first page of this profile section. These indicators provide a measurement of the agency's financial condition over time.

C. Capital Outlay

Due to the funding challenges, the District and City were discussing potential operational cuts to programs as well as potential closing of one of its two active stations. Fortunately, at a minimum, the passage of Measure Q should stabilize the District, and at best provide funding for an additional station.

See Item 6 above for information on the District's *5-Year Strategic Plan Report*.



9. Website Transparency

Senate Bill 929 added Government Code Sections 6279.6 and 53087.8 to provide the public easily accessible and accurate information through agency websites. By January 1, 2020, every California independent district is required to maintain a website.

The table, below, is not an exhaustive inventory of website criteria required under current law. Rather, it identifies key components (required by the Government Code and/or recommended by the California Special Districts Association and other organizations) for websites to enhance transparency and accountability.

Government Code Sections 54954.2 and 54957.5 require agencies to post all agendas 72 hours in advance on their websites. Government Code Section 6253 requires that agencies post content most requested by constituents (and most often requested via Public Record Act requests). Because of the difficulty for LAFCO staff to verify this information, these criteria are not included in the website checklist. However, agencies should address these criteria to comply with current website requirements.

Barstow Fire Protection District Website Checklist website accessed 8/6/19 https://www.barstowca.org/			
Required			
		Yes	No
Government Code §53087.8	Agency maintains a website with current contact information? <i>(required for independent special districts by 1/1/2020)</i>	X	
Government Code §6270.5	Agency has created an Enterprise System Catalog and posted it to website?	X	
Government Code §54954.2	Agency has current agenda posted to website homepage and is accessible through a prominent, direct link?	X	
Government Code §53908	Agency's website provides information on compensation of elected officials, officers and employees or has link to State Controller's Government Compensation website?		X
The following criteria are recommended for agency websites by a number of governance associations and organizations.			
		Yes	No
Description of services?		X	
Service area map?		X	
Board meeting schedule?		X	
Budgets (past 3 years)?		X	
Audits (past 3 years)?		X	
List of elected officials and terms of office?			X
List of key agency staff with contact information?		X	
Meeting agendas/minutes (last six months)?		X	
Notes:			

Sources:

LAFCO

Fiscal Indicators Program

LAFCO 3016 – Service Review and Sphere of Influence Update for the City of Barstow (2008)

LAFCO 3032 – Service Review and Sphere of Influence Update for Barstow Fire Protection District (2008)

LAFCO 3061 – Establishment of the Barstow Fire Protection District as a Subsidiary District of the City of Barstow

Barstow Fire Protection District

Budget, FY 2018-19 and FY 2019-20

Financial Statements, FYs 2015-2018

Barstow Fire Protection District 5-Year Strategic Plan Report (2019)

Website. <https://www.barstowca.org/> Accessed 22 October 2019.

Agency Name	BARSTOW FIRE PROTECTION DISTRICT
Agency Contact	Jamie Williams, Fire Chief

1. What services are provided within your agency's boundary?

	Check one box per row.				If column B or C
	A My agency is responsible for & directly provides:	B <u>Another agency or department</u> is responsible for & directly provides:	C My agency is responsible for but has chosen to contract with <u>another agency or department</u> for:	D This service is not provided within my agency	What agency or dept. (e.g. County Fire, City Bldg. & Safety)
FIRE PREVENTION					
Vegetation Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Fire Code Enforcement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Plan Check/Permit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
FIRE SUPPRESSION					
Hazardous Materials Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Combined with County HazMat
Fire Investigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Support Wildland Urban Incidents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
EMERGENCY MEDICAL					
Advance Life Support	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Tactical EMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Hospital Transport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
OTHER					
Dispatch	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Barstow PD Dispatch
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Comments:

2. Please list the structural and EMS mutual aid and automatic aid agreements that your agency is a signatory. Do not include state-mandated or state-sponsored mutual aid.

Mutual Aid or Automatic Aid	Agencies Participating
Mutual	San Bernardino County Fire Department
Mutual	MCLB Fire Department
Mutual	Ft Irwin Fire Department

3. In addition to mutual aid and automatic aid, does your agency provide any services, full-time, outside of its boundary by contract? YES ☐ NO ☒
If yes, please complete the table below.

	My agency is contracted to provide full-time services within the boundary of another agency	
	What agency or dept. (e.g. City of XX, City Public Works)	Expiration date of contract
Fire Prevention		
Fire Suppression		
Hazardous Materials Response		
Fire Investigation		
Support for Wildland Urban Incidents		
Tactical EMS		
Hospital Transport		
Dispatch		
Other		

Comments: None- BFPD is a subsidiary district of the City of Barstow

4. List all fire stations for your agency:

Fire Station No.	Address or Location	Active, Inactive	Comments
361	861 Barstow Rd Barstow Ca 92311	Active	Headquarters
362	29780 Hwy 58 Barstow Ca 92311	Inactive	Storage only
363	2600 W Main Barstow Ca 92311	Active	West Side of Town
		Choose an item.	
		Choose an item.	
		Choose an item.	

5. Identify all fire and EMS-related apparatus (per the Fire Scope Defined Apparatus). If you have this inventory in another format, you may attach it with this questionnaire.

Type (per Fire Scope-Definition)	Year	Miles	Active, reserve	Located at Station No.	Notes (optional)
Type I Engine	2010-2014	< 50K	Active	Station 361	Front Line Medic Engine ME361
Type I Engine	2000-2004	> 200K	Active	Station 363	Front Line Medic Engine ME363
	Choose an item.	Choose an item.	Choose an item.		
	Choose an item.	Choose an item.	Choose an item.		
	Choose an item.	Choose an item.	Choose an item.		
	Choose an item.	Choose an item.	Choose an item.		
	Choose an item.	Choose an item.	Choose an item.		

6. Identify if your agency shares, permanently or continually, any of the following with other agencies or departments:

Facilities:	None
--------------------	------

Equipment:	OES 328- State OES Program
-------------------	----------------------------

Training:	None
------------------	------

7. Does your agency have a special tax or assessment? YES ☒ NO ☐
If yes, what is the:

- a. mechanism

Other	Notes: General Tax
-------	--------------------

- b. specified purpose (e.g. paramedic, fire, public safety with fire component)

Other	Notes: Public Safety and other city services measure
-------	--

- c. expiration date:

No Sunset

- d. Is there an escalator for inflation? YES ☐ NO ☒

Notes:

8. What is your agency's current Insurance Service Office (ISO) rating(s)? Feel free to expand.

04/4X

9. Please attach a copy of the most recent budget and capital replacement program and any recently completed reports or studies on your agency's operations (i.e. master plans, strategic plans).

See Attachments

10. Please click on the link below for a confidential survey. The purpose of the survey is to provide confidential views on industry-wide matters. An agency name is not requested. Estimated time: 5 minutes.


<https://www.surveymonkey.com/r/LAFCOfire>

Please return this questionnaire and any materials to LAFCO to either:

- LAFCO, 1170 W. Third Street, Unit 150, San Bernardino, CA 92415-0490
- mtuerpe@lafco.sbcountry.gov

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West 3rd Street, Unit 150 San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 10, 2021 
FROM: MICHAEL TUERPE, Senior Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM 15: Continued Monitoring from LAFCO 3231
(Countywide Fire Service Review) for San Bernardino County Fire
Protection District (CONTINUED FROM SEPTEMBER 16, 2020; TO BE
CONTINUED TO THE MAY 19, 2021 MEETING)

RECOMMENDATION:

Staff recommends that the Commission continue this item to the May 19, 2021 meeting.

BACKGROUND:

As an outgrowth from LAFCO's February 2020 Countywide Fire Service Review (LAFCO 3231), the Commission directed staff to return at its September 2020 meeting with an update on the sustainability of the San Bernardino County Fire Protection District.

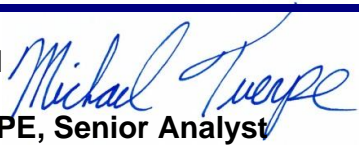
In September 2020, County Fire requested that the Commission continue this update due to Measure U from the November election, which proposed to repeal County Fire's special tax for its Service Zone FP-5 (the measure was unsuccessful and the tax remains).

The Fire Chief requests that the Commission defer this item for one month. The additional months would allow the District to finalize its five-year fiscal projections with County Finance and the CEO. Since there is no April hearing, staff recommends that the Commission continue this item to the May 19, 2021 meeting.

SM/MT

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West 3rd Street, Unit 150 San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 10, 2021 
FROM: MICHAEL TUERPE, Senior Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM 16: Continued Monitoring for the Barstow Cemetery District related to LAFCO 3245 - Countywide Service Review for Public Cemetery Districts

RECOMMENDATION:

Staff recommends that the Commission:

1. Receive and file this report.
2. Schedule an update for the Barstow Cemetery District for the May 19, 2021 meeting, unless otherwise directed by the Commission.

BACKGROUND:

As an outgrowth from LAFCO's December 2020 Countywide Service Review for Public Cemetery Districts (LAFCO 3231), the Commission directed staff to return with an update on the sustainability of the Barstow Cemetery District, to include the status of its audits.

MARCH 2021 UPDATE:

For this update, staff interviewed the District General Manager. She informed us that:

- The 17/18 and 18/19 audits remain outstanding. Due to turn-over at the auditing firm, the audit has been reassigned and the firm partner is taking on this duty.
- They are in process of acquiring a financial advisor that specializes in cemeteries.
- They recently hired a new book keeper, who will work with the financial advisor to make the financial reports current.
- Recently, the Barstow City Council awarded the District roughly \$65,000 to upgrade its restrooms to make them ADA compliant.

No other information is available for staff to conduct a proper update regarding finances.

LANDSCAPE CONVERSION PROJECT:

The following is an excerpt from the service regarding the use of potable water to irrigate the grounds:

As noted previously by LAFCO in 2008 and the Grand Jury in 2009/10 and 2013/14, the District irrigates with domestic water and not from a well. The District identified that of its four wells, three do not work, and one is almost dry and will need to undergo well deepening. Domestic water from the Golden State Water Company is costlier than pumping untreated water from a well. The District pays the Water Company on average \$10,000 to \$20,000 per month, depending on the season. The District struggles to pay for its water consumption, and as of this writing, the District owes the Water Company roughly \$80,000.

As identified as far back as 2008 service review, the District should repair its wells and/or convert to xeriscape landscaping. The District discussed the possibility with Golden State Water Company of extending a line from the Water Company's water source to the cemetery, and it was deemed not feasible. ...

Unfortunately, as discussed in the financial review portion below, the General Fund is operating on a running deficit. Any major capital improvements, to include xeriscaping, would mostly need to come from a source other than the District. In response to the First Draft, the District states that Mojave Water Agency has offered their experience and professional resources to implement a plan for significant water reduction along with grounds beautification.

For this update, the Mojave Water Agency (MWA), the wholesale water agency, informed LAFCO that it is working with the District to convert the grass to xeriscape. In December 2020, MWA informed the District that it is eligible for a \$375,000 rebate for a landscape conversion project. The project will include planting of 93,000 square feet of desert adaptive plants and installing water-efficient irrigation systems.

Further, MWA is working with the Golden State Water Company (the water retailer) to prepare a project application requesting that the District's landscaping project be added to the Integrated Regional Water Management Plan Project List. This will be presented and voted on at the April 1 Mojave Water Agency Technical Advisory Committee meeting. This does not guarantee any funding but facilitates additional grants applications once a project is on the IRWMP list.

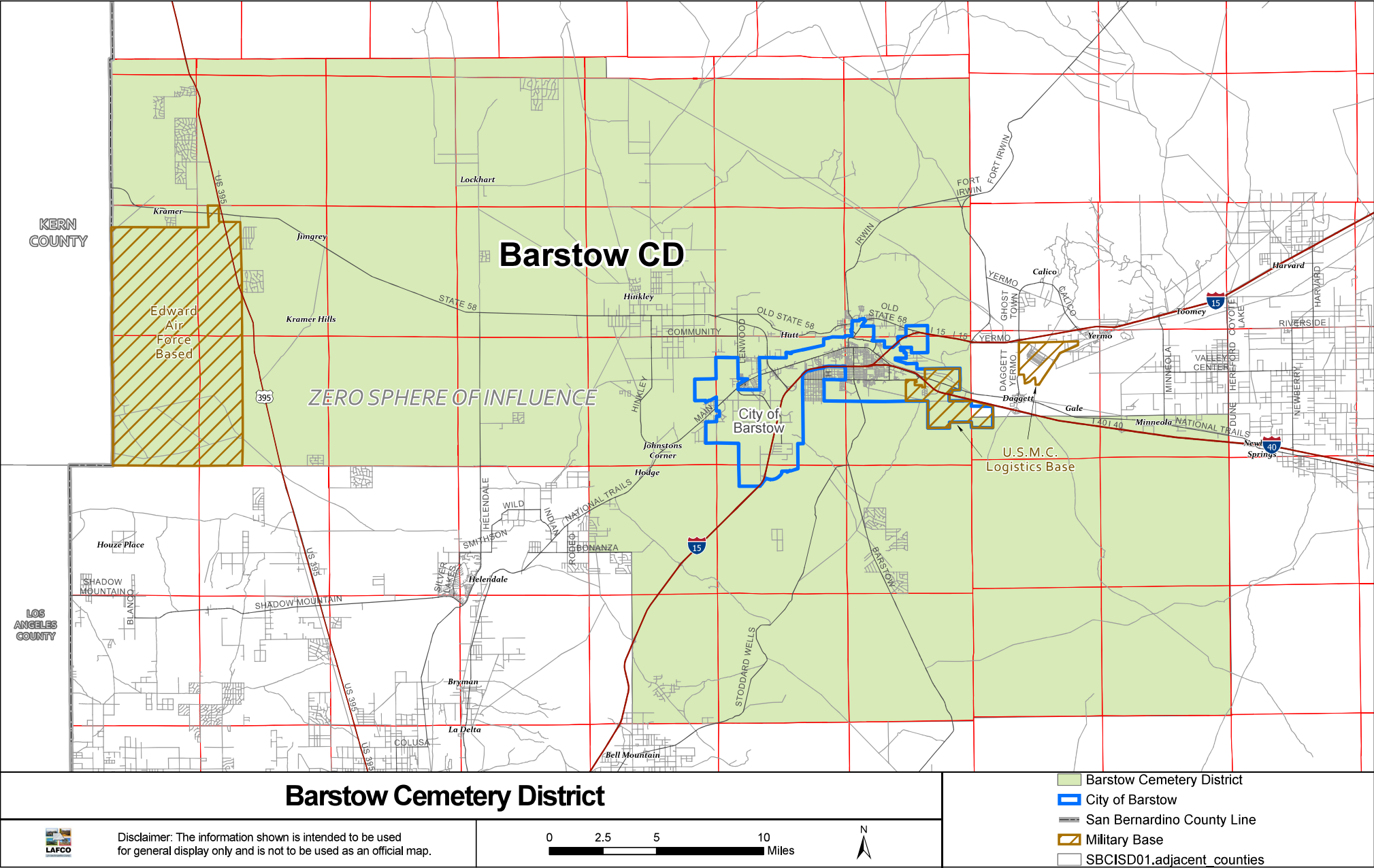
CONCLUSION:

Staff recommends that the Commission schedule an update for the Barstow Cemetery District for the next Commission meeting, May 19, 2021 meeting, unless otherwise directed by the Commission.

SM/MT

Attachment:

[Barstow Cemetery District Portion of Countywide Service Review](#)



1. LAFCO Conclusion and Recommendation

LAFCO concludes that the Barstow Cemetery District:

- *From an organizational perspective, has historically lacked the proper foundations on governance, and the financial resources to adequately fund bookkeeping and the overall operations of a special district. In response to the First Draft, the District identifies that it is currently searching for a financial advisor.*
- *Experienced frequent changes in personnel, as well as limited financial resources, perpetuating the District's ongoing operational issues.*
- *Operated without legal counsel until October 2020, exposing the District to unnecessary risk. In response to the First Draft, the District identifies that it has retained legal counsel.*
- *Is making strides to organize the office records, and there is movement towards digitization of the plot mapping.*
- *Infrastructure is adequate, in light of revenue and operating constraints, and irrespective of the water and well issues. As for the water well issues, in response to the First Draft, the District states that Mojave Water Agency has offered their experience and professional resources to implement a plan for significant water reduction along with grounds beautification.*
- *As of October 1, 2020, the most recent available audit for the District is for FY 2016/17. Therefore, this service review does not include a complete and accurate financial analysis for the District.*
- *General Fund is operating on a running deficit.*
- *The circumstances identified by the 2013/14 Grand Jury have returned.*
- *Current auditor has made so many ledger and journal entries that it can no longer conduct an independent audit, as its role shifted from independent auditor to bookkeeper.*
- *Endowment Fund appears to be healthy, with annual increases in the fund balance and relatively minor transfers out.*

LAFCO recommends that:

- *The Barstow Cemetery District should focus on the implementation of governance and financial policies and practices.*
- *Continued monitoring take place for the Barstow Cemetery District. The first status report is scheduled for LAFCO's February 17, 2021 meeting.*

2. Overview and Brief History

The Barstow Cemetery District is an independent special district formed in 1947 following approval by the County of San Bernardino Board of Supervisors and the electorate. The District's boundaries have not changed since its formation and comprise approximately 1,111 square miles. The District's service area includes the City of Barstow and territory southwest of Fort Irwin; east of Daggett and Yermo communities; north of the Victor Valley communities of Apple Valley, Helendale and Victorville; and east of the Kern County line. The District's governing board consists of five trustees appointed at-large to four-year staggered terms.

Currently, the Barstow Cemetery District manages one cemetery - Mountain View Memorial Park - located at 37067 Irwin Road, Barstow. Mountain View Memorial Park started as a "for profit" cemetery in the 1930s and, as referenced above, transitioned to a public cemetery managed and operated by an independent special district in 1947. According to the Memorial Park's website, there are approximately 8,900 interments in this cemetery.

3. Boundary and Sphere of Influence Review

This review identifies no boundary or sphere of influence matters for the Barstow Cemetery District.

4. Previous Service Review and Other Reports

A. 2008 Service Review

LAFCO conducted the first service review for the Barstow Cemetery District in 2008. At that time, LAFCO staff raised concerns regarding the District's fiscal health, lack of a master plan, and non-compliance with providing annual audits and budgets to the State Controller and County Auditor. Based on the determinations in the 2008 service review, LAFCO designated a zero sphere of influence for the District and stated its position that either the County of San Bernardino or the City of Barstow succeed to the cemetery's operations. The Commission also referred the matter to the County Auditor for further investigation of the District's financial matters with notification to the Grand Jury.¹

B. San Bernardino County Grand Jury

The 2009/10 San Bernardino County Grand Jury reviewed the District's operations, expenditures, and bookkeeping methods utilized by the District. The 2009/10 Grand Jury Report issued findings and assigned recommendations to improve the District's operations to LAFCO, County Special Districts Department, County Auditor, and the

¹ http://www.sbcounty.gov/uploads/lafco/proposals/servicereviews/barstow/Reso_3039_LAFCO_3034.pdf

District.² As required by law, each agency provided a response to the Grand Jury's recommendations.³ Over the next year, the following actions occurred:

- Representatives from LAFCO and County Special Districts Department attended the District's November 10, 2010 meeting to discuss the findings and recommendations from the Grand Jury Report.
- Following the November 10, 2010 District meeting, County Auditor and LAFCO staffs assisted District staff in an effort to address deficiencies in its operations.

The 2013/14 Grand Jury reviewed the 2009/10 recommendations to determine the District's compliance.⁴ The 2013/14 report conclusion states that the District's operation has improved since the 2009/10 Grand Jury review. However, two recommendations were outstanding:

- (1) The Barstow Cemetery needs to again look into the possibility of drilling its own well for water.

The District offered the following response to the 2013/14 Grand Jury:

"The District received a grant from former First District Supervisor Brad Mitzelfelt in the amount of \$31,000.00 for this project and construction of the new well was started in May 2013. According to the [former] General Manager, the electrical wiring should be installed within the next two months and the new well will be up and running."

On LAFCO's September 25, 2020 site visit, District staff impressed that the well has not worked since the time of their employment, roughly 2017. The use of the \$31,000 grant is unclear to District staff.

- (2) The Barstow Cemetery needs to contact the California Association of Special Districts and consider joining so they can obtain health insurance and workers compensation at a considerable savings.

5. Growth and Population Projections

The District's population is primarily concentrated in the Barstow area. Outside of Barstow, the population is relatively sparse. As shown in Figures 1-1 and 1-2 below, the population estimates for 2012 and 2040 do not identify any significant growth areas.

² <https://wp.sbcounty.gov/grandjury/wp-content/uploads/sites/15/2019/10/2009-10-Grand-Jury-Final-Report.pdf> (beginning on page 51)

³ <https://wp.sbcounty.gov/grandjury/wp-content/uploads/sites/15/2017/10/responses0910.pdf> [PDF pages 6-7 (County Special Districts Department), 9 (County Auditor), 20-21 (LAFCO), 28-29 (Barstow Cemetery District)]

⁴ <https://wp.sbcounty.gov/grandjury/wp-content/uploads/sites/15/2017/10/2013-14-Final-Report.pdf> (beginning on page 31)

Figure 1-1: 2012 Population

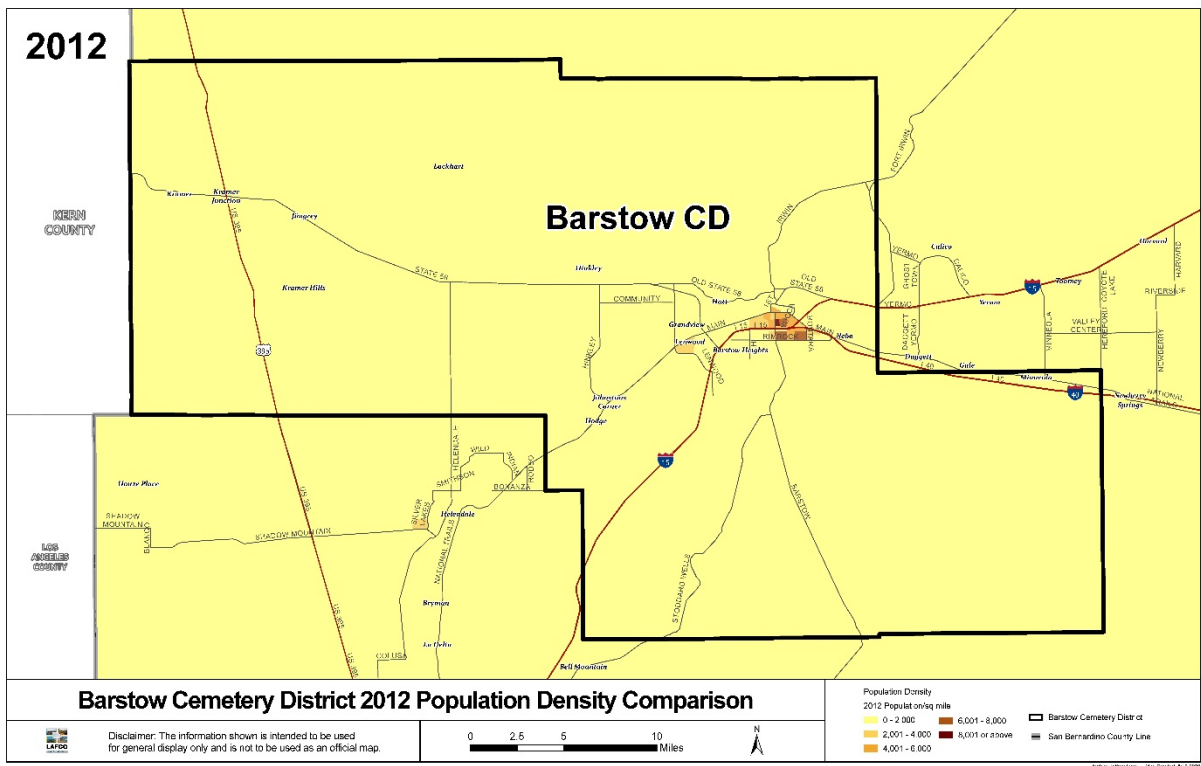
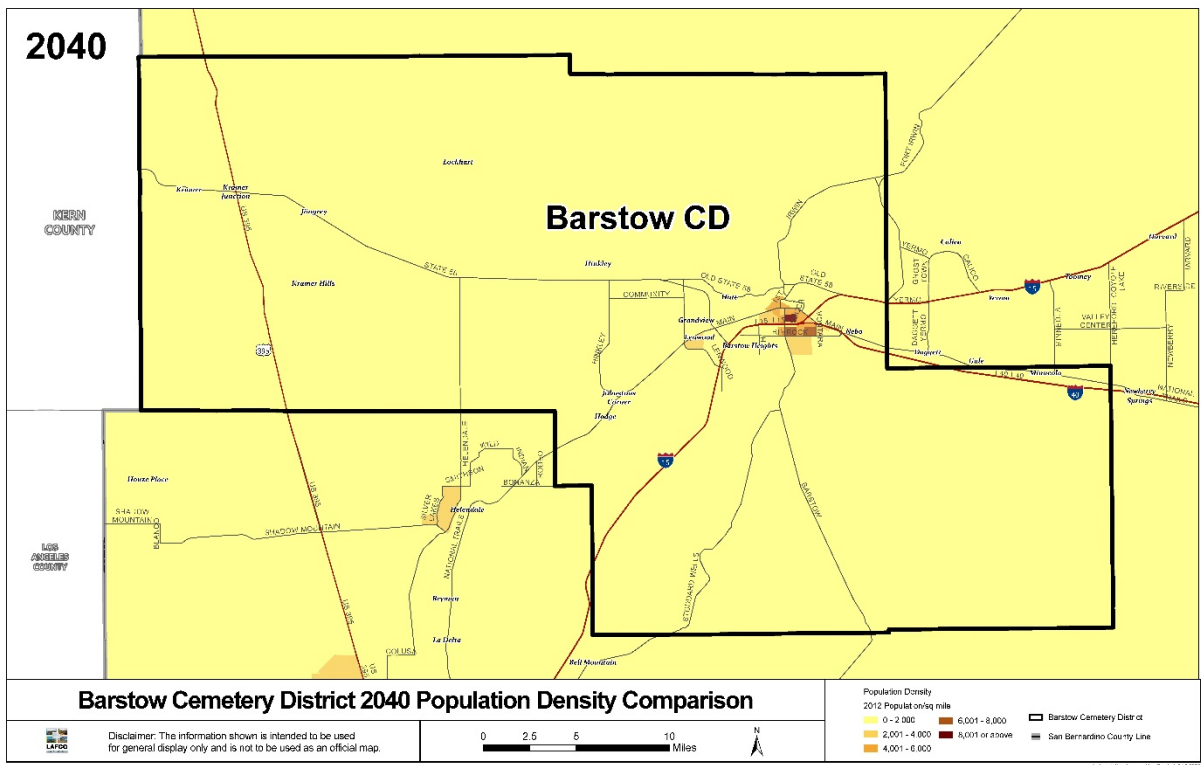


Figure 1-2: 2040 Population

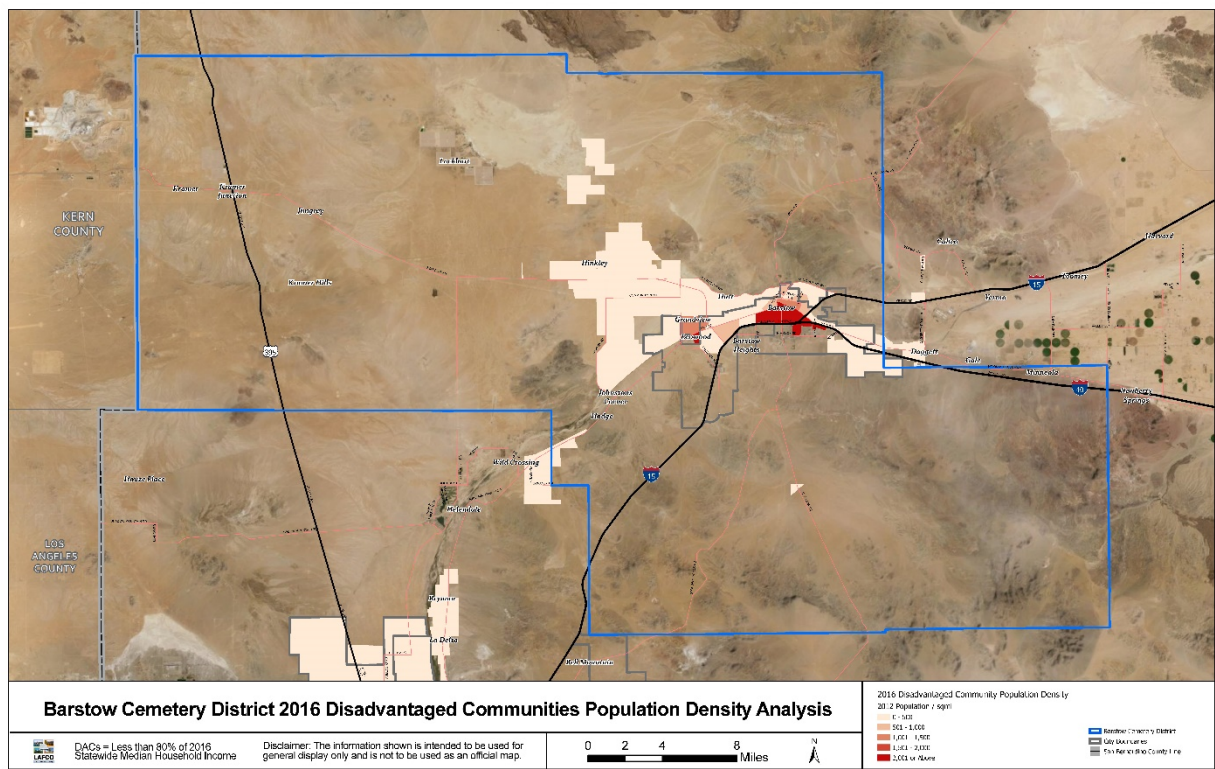


6. Disadvantaged Communities, Location and Characteristics

State law requires various entities (i.e. LAFCO, cities and counties, and water agencies) to, in some manner, identify disadvantaged communities, which can be located in both incorporated and unincorporated areas. More information on the laws and requirements regarding Disadvantaged Communities is available in [Appendix C: Primers](#) to this report.

The figure below identifies the location of the disadvantaged communities with the District overlay in blue outline. For this region, LAFCO uses a density factor of 1,500 people or more per square mile.

**Figure 1-3:
Disadvantaged Communities with Population Density**



**Table 1-1:
Characteristics of Disadvantaged Areas within Barstow CD**

Population	11,853	Median Household Income	\$38,529
Households	4,249	Per Capita Income	\$19,162
Median Age	30.7	Unemployment Rate	19.8%

Source: ESRI, August 2020

7. Facilities and Services

The District completed a LAFCO questionnaire regarding governance and operations. The District's response is included at the rear of this agency's profile.

A. Present and Planned Capacity of Public Facilities

The District owns three parcels (one is vacant) comprising 22 acres. Two parcels contain the memorial park on 17 acres, and the vacant parcel comprises five acres. The site address of the memorial park—operated in the name of Mountain View Memorial Park—is 37067 Irwin Road, which is approximately one mile outside the City of Barstow corporate limits but within its sphere of influence.

According to the District, there are roughly 100 internments a year, with roughly 8,900 internments to date and 13 acres that are unmarked.

B. Adequacy of Public Services

The District board hired the current general manager in August 2016. She inherited an organization that lacked the proper foundations on governance, and the financial resources to adequately fund bookkeeping and the overall operations of a special district.

Frequent changes in personnel, as well as limited financial resources, have perpetuated the District's ongoing operational issues. Records, both internment and financial, have been subject to the methodology of the staff at that time, only for new records to have a different filing methodology. During LAFCO's site visit, the general manager explained and showed the disparate record keeping methods of previous administrations. The current general manager further explained and showed how she has reorganized the on-site internment records into a comprehensive methodology.

However, the available technology is not sufficient to conduct an efficient business. Hand-written plot maps remain in vellum/Mylar paper form at the District office with additional plot information housed in a DOS-based computer program. The District attempted to move towards a more comprehensive digital solution by contracting with a firm from Ohio to upgrade the District's existing BSM (Burial Space Manager) system into a modern product that incorporates plot information with plot mapping. LAFCO staff understands that this project has never been completed and it is unclear to District staff why the contractor has not delivered the program. Nonetheless, some type of conversion to a more user-friendly system would move toward an improvement in public service.

According to the District, it does not use legal counsel for its operations. However, for litigation matters, the District either hires legal counsel or has been covered by its insurance company. LAFCO's position is that operating without legal counsel exposes the District to unnecessary risk, which could lead to the need to have legal

counsel for representation. Since the August 2016 hiring of the current general manager, she estimates that there have been at least six litigation matters regarding prior employee errors regarding plots. In response to the First Draft, the District identifies that it has retained legal counsel beginning October 2020.

In sum, the historical level of service in light of revenue and operating constraints is not adequate. Strides have been made to organize the office records, and there have been efforts to digitize plot mapping. The availability of resources (fiscal, adopted service or work plans) are not present to provide adequate service.

Considering the income levels of existing households and the need for the public cemetery, efforts should focus on governance and training to build a proper foundation for future success.

C. Infrastructure Needs and Deficiencies

As noted previously by LAFCO in 2008 and the Grand Jury in 2009/10 and 2013/14, the District irrigates with domestic water and not from a well. The District identified that of its four wells, three do not work, and one is almost dry and will need to undergo well deepening. Domestic water from the Golden State Water Company is costlier than pumping untreated water from a well. The District pays the Water Company on average \$10,000 to \$20,000 per month, depending on the season. The District struggles to pay for its water consumption, and as of this writing, the District owes the Water Company roughly \$80,000.

As identified as far back as 2008 service review, the District should repair its wells and/or convert to xeriscape landscaping. The District discussed the possibility with Golden State Water Company of extending a line from the Water Company's water source to the cemetery, and it was deemed not feasible. The District then turned to the Mojave Water Agency ("MWA") to seek assistance on a solution. As of this writing, MWA is partnering with the Mojave Desert Resource Conservation District to assist the District in the possible xeriscape conversion.

Unfortunately, as discussed in the financial review portion below, the General Fund is operating on a running deficit. Any major capital improvements, to include xeriscaping, would mostly need to come from a source other than the District. In response to the First Draft, the District states that Mojave Water Agency has offered their experience and professional resources to implement a plan for significant water reduction along with grounds beautification.

Irrespective of the well and water issues, the condition of infrastructure in light of revenue and operating constraints is adequate.

8. Financial Ability to Provide Services

To make the required service review determination of an agency's financial ability to provide services, LAFCO referenced the agency's own financial documents (audits, budgets). Additionally, LAFCO's Fiscal Indicators Program shows fiscal trends for an

agency and allows for an agency comment.⁵⁵ The information below incorporates all of the information and sources identified above.

As of October 1, 2020, the most recent available audit for the District is for FY 2016/17. Therefore, this service review does not include a complete and accurate financial analysis for the District. The District has provided bookkeeper statements for FY 2017/18 and 2018/19.

A. Overview

Revenues are comprised of service fees, the District's share of the general property tax levy, and interest. The vast majority of the revenues are derived from service fees. The District utilizes the County for payroll and a local bank for paying invoices.

The 2009/10 Grand Jury recommended that the District hire a bookkeeper, keep monthly financial statements and prepare an annual budget. Whereas the 2013/14 Grand Jury stated that this recommendation was accomplished, the circumstances returned. During LAFCO's site visit on September 25, 2020, District staff stated that its current auditor had made so many ledger and journal entries that it could no longer conduct an independent audit, as its role shifted from independent auditor to bookkeeper. Therefore, the District should focus on the implementation of appropriate financial practices. In response to the First Draft, the District identifies that it is currently searching for a financial advisor.

B. Funds

The most recent audit for the District is for FY 2016/17. This portion of the report provides a comparative analysis for the six most-recent audits with a five-year variance is below (FY 2011/12 through FY 2016/17).

General Fund

The fund labeled "General" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

A trend of operating gains or deficits is a key indicator of the financial health of an agency. Table 1-2 shows the General Fund balance for the period of FY 2011/12 through FY 2016/17. The fund balance has decreased by 86% within five years with Total Revenues decreasing by 13% and Total Expenditures increasing by 2%. Expenditures generally exceed revenues, resulting in an annual decline in fund balance. The General Fund balance decline of 86% from \$527,365 to \$75,741 is of serious concern. During this period, annual expenditures varied slightly with some revenue fluctuation. This means that historically, revenues have not been adequate to support operations. For example, the District historically has not had adequate funds to cover payroll at the beginning of the

⁵⁵ <http://sbclafco.org/FiscalIndicators/IndependentDistricts/TwentyNinePalmsCemeteryDistrict.aspx>

fiscal year. In turn, the County has fronted the payroll disbursement with the credited amount deducted from the District's proceeds of property taxes.

For the year ended June 30, 2017, the District reported an ending fund balance of \$75,741, a decrease of \$129,343 from the prior year. The Management Discussion and Analysis section of the audit states that, "This decrease was due to an increase due in overall expenses." At this time, any unexpected expenses could further challenge the General Fund, prompt service reduction, fee increases, or cause the General Fund to enter into negative territory and result in a running deficit. In short, the District lacks the availability of reasonable emergency reserves.

**Table 1-2:
General Fund Balance - Audits**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	5 yr Var
REVENUES							
Charges for services	239,050	141,145	267,495	276,235	207,845	158,267	-34%
Property taxes	111,003	149,918	126,626	125,787	129,888	143,541	29%
Other	2,816	1,116	468	268	5,810	5,852	108%
Total Revenue	\$ 352,869	\$ 292,179	\$ 394,589	\$ 402,290	\$ 343,543	\$ 307,660	-13%
EXPENDITURES							
Salaries & Benefits	230,632	292,123	269,514	239,694	195,476	232,590	1%
Services & Supplies	191,517	192,426	186,237	181,335	117,071	199,426	4%
Total Expenditures	\$ 422,149	\$ 484,549	\$ 455,751	\$ 421,029	\$ 312,547	\$ 432,016	2%
Revenues less Expend.	(69,280)	(192,370)	(61,162)	(18,739)	30,996	(124,356)	
OTHER FINANCING							
Transfers In/Adjustments	48,891	3,340	(20,696)	5,999	5,565	11,443	
Trust Fund Adjust					(75,214)	(16,430)	
Fund Balance Begin	547,754	527,365	338,335	256,477	243,737	205,084	-63%
Fund Balance End	\$ 527,365	\$ 338,335	\$ 256,477	\$ 243,737	\$ 205,084	\$ 75,741	-86%

The District provided LAFCO with bookkeeper statements for FY 2017/18. The chart below summarizes the information. Note that this information has not been independently verified. As shown, the District experienced lower revenues and expenditures in comparison with previous years. Still, the year ended with a deficit of roughly \$51,000 – further decreasing fund balance.

**Table 1-3:
General Fund Profit & Loss – FY 2017/18**

Gross Profit	\$297,028
Total Expense	349,183
Other Income	1,473
Net Income	\$(50,682)

The bookkeeper statements also identify that the General Fund owes substantial amounts to the Endowment Care Fund and Pre-Need Trust Fund. This reveals that the General Fund is operating on a running deficit. During the LAFCO site visit, District staff stated a prior administration paid the groundskeeper salaries from Pre-Need for at least one year. In turn, the General Fund owes the Pre-Need Fund for those expenses. Moreover, in the table below, the amount the General Fund owes the Endowment Fund and Pre-need Trust essentially double in one year.

**Table 1-4:
General Fund Due To**

	June 30, 2018		June 30, 2019	
	Due To:		Due To:	
	Endowment Care Fund	Pre-Need Trust	Endowment Care Fund	Pre-Need Trust
Due from General Fund	\$13,078	\$103,606	\$21,551	\$218,559

General Fund Liquidity

The Government Finance Officers Association (“GFOA”) currently recommends that regardless of size, general-purpose governments should maintain unreserved fund balance in their General Fund of “no less than two months of regular general fund operating revenues or expenditures.” A General Fund balance of a lesser level exposes the General Fund to the risk of not being able to meet cash flow requirements, economic uncertainties, or other financial hardships. As shown on the chart below, the District’s unreserved fund balance has exceeded the general rule of more than two months of regular General Fund operating expenditures.

By this measure alone, it would seem that the liquidity of the District is adequate. However, when considering the Total General Fund balance (unreserved plus reserved), the liquid health of the District is of concern. As shown in Figure 4-3 below, total General Fund balance has decreased from \$527,365 to \$75,741.

**Table 1-5:
General Fund Liquidity**

General Fund (GF)	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Total GF expenditures	\$ 422,149	\$ 484,549	\$ 455,751	\$ 421,029	\$ 312,547	\$ 432,016
Unreserved GF fund balance	40,540	56,207	44,795	133,661	205,084	75,741
(as a % of total expenditures)	10%	12%	10%	32%	66%	18%
Total fund GF balance	\$ 527,365	\$ 338,335	\$ 256,477	\$ 243,737	\$ 205,084	\$ 75,741
(as a % of total expenditures)	125%	70%	56%	58%	66%	18%

sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

Endowment Fund

The District maintains an Endowment Fund to account for the portion of the monies paid for every interned person to be held as a perpetual endowment. Pursuant to State law, the board of trustees may not spend the principal of the Endowment Fund. However, the principal can be invested in securities and obligations, and the interest and gains may be spent from the investments (§9065(e)). Note that in FY 2015/16, the District made a one-time transfer from the Endowment Fund to the General Fund. The purpose of the transfer was related to capital improvements. The figure below shows the fund balance of the Endowment Care fund for the same period.

The Endowment Funds appears to be healthy, with annual increases in the fund balance and relatively minor transfers out. However, it appears that the gains from interest are low for an endowment nearing \$800,000. Recognizing the low returns, the District transferred a significant portion of its Endowment Funds from Wells Fargo to the Cooperative Funeral Fund.

**Table 1-6:
Endowment Fund**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	5 yr Var
REVENUES							
Charges for services	13,239	24,351	24,930	32,039	22,889	27,016	104%
Interest & investment	3,736	2,332	8,791	10,860	20,747	1,506	-60%
Total Revenue	\$ 16,975	\$ 26,683	\$ 33,721	\$ 42,899	\$ 43,636	\$ 28,522	68%
EXPENDITURES	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -	
Total Expenditures	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -	
Revenues less Expend.	16,975	26,683	33,711	42,899	43,636	28,522	68%
OTHER FINANCING							
Other	29,787	(10,443)	7,036				
Transfers In (Out)	-	-	15,550	(6,000)	(5,565)	(11,443)	
Fund Balance Begin	581,333	628,095	644,335	700,632	737,531	775,602	33%
Fund Balance End	\$ 628,095	\$ 644,335	\$ 700,632	\$ 737,531	\$ 775,602	\$ 792,681	26%
*Endowment Principal	\$623,067	\$643,334	\$695,022	\$727,085	\$775,602	\$792,682	27%
sources: Statement of Revenues, Expenditures, and Fund Balances and Balance Sheets							

Pre-Need Burial Fund (fiduciary fund)

Fiduciary funds are used to account for assets held by the District as an agent or trustee for individuals, private organizations, other governments and/or other funds. The Pre-Need Burial Fund is a private-purpose trust fund that transfers funds from its earnings to the General Fund to finance burial expenditures.

The financial statements before FY 2015/16 do not provide separate accounting of the Pre-Need Fund. Therefore, a proper analysis of the Pre-Need Fund cannot be conducted.

**Table 1-7:
Pre-Need Fund**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	5 yr Var
NET ASSETS							
Unrestricted							
Restricted					45,563	133,627	#DIV/0!
Total net assets	\$ -	\$ -	\$ -	\$ -	\$ 45,563	\$ 133,627	#DIV/0!
source: Statement of Fiduciary Net Position							

C. Capital Outlay

LAFCO staff did not notice any significant structural deficiencies during its site visit on September 25, 2020. The District does not have a master plan or capital improvement plan.

D. Pension Liability and Contributions

CalPERS administers the District's retirement plan. However, the required GASB 68 and related information are not included in the FY 2015/16 and FY 2016/17 audits. Therefore, the financial statements, which the governing body and management are responsible for, lack transparency by not including the required pension information. Instead, this service review sought information from the parent source, CalPERS. For general information on pension liabilities and contributions, please refer to Appendix C of this service review.

Liability

The CalPERS July 2020 valuation report identifies that the District had a Net Pension Liability as of June 30, 2019, with a funded ratio of 76.6%

Contributions

As shown in the table below, pension contributions dropped precipitously in 2018-19. That year the general manager was on injury leave (workers compensation) which resulted in a number of the mandatory retirement contributions not made. The agreement with CalPERS allows the District to make additional, incremental, contributions to be whole with its requirements.⁶

⁶ <https://www.calpers.ca.gov/page/employers/actuarial-resources/public-agency-actuarial-valuation-reports>

**Table 1-8:
CalPERS Historical Contributions**

Plan Type	Contribution	2017-18	2018-19	2019-20	2020-21
Miscellaneous	Normal Cost %	7.9%	8.3%	8.7%	9.4%
Plan	UAL Payment	\$ 40,505	\$ 7,569	\$ 33,860	\$ 35,026
PEPRA	Normal Cost %			7.1%	7.9%
Plan	UAL Payment			\$ 400	\$ 705

Source: CalPERS Actuarial Reports, July 2020

The following table provides a breakdown of required retirement contributions for the District over the next six fiscal years. The agency includes more than one retirement plan, depending on date of hire or job classification, shown as PEPRA. It is unclear as to why CalPERS identifies low contribution rates beginning in 2024-25 for the Miscellaneous Plan.

**Table 1-9:
CalPERS Projected Contributions**

Plan Type	Contribution	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Miscellaneous	Normal Cost %	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Plan	UAL Payment	\$ 36,869	\$ 38,000	\$ 40,000	\$ 3,300	\$ 3,500	\$ 3,500
PEPRA	Normal Cost %	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Plan	UAL Payment	\$ 236	\$ -	\$ -	\$ -	\$ -	\$ -

Source: CalPERS Actuarial Reports, July 2020

9. Shared Facilities

A. Status of Shared Facilities

The District identified that it does not share facilities with other agencies.

B. Opportunities for Shared Facilities

An opportunity may exist for the District to lease its non-dedicated land to other public agencies. Section 9054 permits a district to use or lease land acquired for future cemetery use to a public agency for recreational use. The District identifies that there are unused areas at this time.

10. Accountability

A. Board Members

Records show that community interest in board membership historically has been low. An option afforded in Public Cemetery District law is for the board to request

through resolution that the County Board of Supervisors reduce board membership from five members to three members (§9020, §9025). In the LAFCO staff's view, limiting membership to three members for such a large geographical area would not promote any oversight efficiencies; a full membership of five members should be sought by the District and the County Board of Supervisors to promote adequate oversight of District affairs and community participation in an important service.

Alternatively, the County Board of Supervisors may appoint itself to be the board of trustees (§9026). Such an action would not require LAFCO approval as it would not be a change of organization, rather the District remains, but the governing body would be different.

B. Internment Records

Currently, the District lacks a digital archive of its marked sites. The District has contracted with a firm from Ohio that has not completed a digital archiving project. According to District staff, there is no written contract for this project, which remains incomplete for over a year.

C. Completion and Filing of Financial Documents

The District is not current with completion of its financial statements.

D. Policy Manual

The District could not identify if certain policies have been adopted. The historical record of the District is inadequate.

E. Website Transparency

Senate Bill 929 added Government Code Sections 6279.6 and 53087.8 to provide the public easily accessible and accurate information through agency websites. By January 1, 2020, every California independent district is required to maintain a website.

The table, below, is not an exhaustive inventory of website criteria required under current law. Rather, it identifies key components (required by the Government Code and/or recommended by the California Special Districts Association and other organizations) for websites to enhance transparency and accountability.

Government Code Sections 54954.2 and 54957.5 require agencies to post all agendas 72 hours in advance on their websites. Government Code Section 6253 requires that agencies post content most requested by constituents (and most often requested via Public Record Act requests). Because of the difficulty for LAFCO staff to verify this information, these criteria are not included in the website checklist. However, agencies should address these criteria to comply with current website requirements.

**Table 1-10:
Website Checklist**

Barstow Cemetery District (Mountain View Memorial Park) Website Checklist			
website accessed 9/4/2020 www.mountainviewmemorial.specialdistrict.org			
<i>Required</i>			
		Yes	No
Government Code §53087.8	Agency maintains a website with current contact information? (<i>required for independents special districts by 1/1/2020</i>)	✓	
Government Code §6270.5	Agency has created an Enterprise System Catalog and posted it to website?		✓
Government Code §54954.2	Agency has current agenda posted to website homepage and is accessible through a prominent, direct link?	✓	
Government Code §53908	Agency's website provides information on compensation of elected officials, officers and employees or has link to State Controller's Government Compensation website?	✓	
<i>The following are recommended for agency websites by a number of governance associations and organizations.</i>			
		Yes	No
Description of Services?			✓
Service area map?			✓
Budgets (past 3 years)?			✓
Board meeting schedule?		✓	
Audits (past 3 years)?			✓
List of elected officials and terms of office?			✓
List of key agency staff with contact information?			✓
Meeting agendas (last six months)?		✓	
Meeting minutes (last six months)?			✓
<i>Notes: Board/staff names missing. No mention of "Barstow Cemetery District".</i>			

11. Government Structure Options

While the discussion of some government structure options may be theoretical, a service review should address possible options. Such options should consider:

- Improving public participation, local accountability, and governance;
- Producing economies of scale and improving buying power in order to reduce service costs;
- Enhancing capital improvement plans;
- Improving the ability to provide and explain budget and financial data; and
- Improving the quality and/or levels of service.

Evaluation of these options should weigh:

- Long-term savings of the change versus related transition costs;
- Cost-benefit of restructuring the current governing body and/or administration to any proposed alternative;
- Impact on operating cost (short and long-term) due to government structure changes; and
- Impact of government structure options on an agency's financial stability.

Structure Options that include LAFCO

1. Consolidate the two independent cemetery districts (Barstow and Twentynine Palms). This option would consolidate the two independent districts under one governing body. Administratively, there could be economies of scale – fewer administrative staff. Operationally, there would not be economies of scale due to the need to house heavy equipment at each location since the distance between cemeteries is roughly 100 miles. For the governing body, an independent district with two zones roughly 100 miles apart does not lend to local governance. Therefore, this option is not feasible.
2. Combine all public cemeteries (Barstow, Twentynine Palms, Lucerne Valley, and Searles Valley) by forming a County Service Area, governed by the County Board of Supervisors, to function as a single-purpose agency for all public cemeteries. Administratively and operationally, there would be economies of scale, as a single entity would conduct administration and operations. For the governing body, there would be a single body to govern all public cemeteries in the county. However, the two dependent districts (Lucerne Valley and Searles Valley) provide more than one function and separating these functions would reduce the community nature of the current form of governance in these communities. Further, this option would require an election. Therefore, this option is not feasible.

Structure Options that do not include LAFCO

3. Cemetery service to be provided by the City of Barstow. Current law (Health and Safety Code §8125) authorizes cities to survey, lay out, and dedicate for burial purposes no more than five acres of public lands. The District operates more than five acres. If the City were to succeed to the District's cemetery services, special legislation would need to occur and there is statutory precedent for authorization. In 2008, AB 1932 (Smyth) authorized the City of Simi Valley to operate a cemetery on public lands containing five acres or more. Should the City desire to succeed to the District's services and facilities, special legislation would be required.
4. The County Board of Supervisors may appoint itself to be the board of trustees (§9026). Such an action would not require LAFCO approval as it would not be a change of organization, rather the District remains but the governing body would be different. This would provide the District with resources that it currently lacks.
5. Outsourcing financial and/or administrative duties. The board of trustees would have to weigh the cost-benefits of outsourcing versus in-house management.

Sources:

Barstow Cemetery District
Financial Statements

Website. www.mountainviewmemorial.specialdistrict.org. Accessed 16 August 2020

CalPERS
Actuarial Reports

Grand Jury
2009/10 Report
2013/14 Report

LAFCO
Fiscal Indicators Program
LAFCO 3034 – Service Review and Sphere of Influence Update for the Barstow Cemetery District (2008)
Site Visit 25 September 2020

Agency Name	BARSTOW CEMETERY DISTRICT
Agency Contact Name	Melinda Johnson

1. Please provide a roster of board members.

Member Name	Position	Term Expiration
Mark Franey	Chair	2022
Stanley "Ed" Hignett	Vice-Chair	2020
Teresa Quiroz	Director	2020
Beverly Stoops	Secretary	2022
Vacant Position		

2. Government Code Section 9028(b) requires the appointment of a Secretary, which may be either a trustee or district employee. Provide the name of the appointee (trustee or employee). Beverly Stoops

3. If the District has appointed a Finance Director to manage its funds, it must require a bond for that person. If the District has a Finance Director, please confirm that person is bonded. San Bernardino County & Cooperate Funeral Fund both are bonded

4. What is the current size (sq. miles) of your district's territory? How much unused land remains for future cemetery use? Roughly 10 acres incorporated, and 13 acres incorporated

5. Cemetery Districts are permitted to lease currently unused land which is set aside for future cemetery use. Does your District lease any land to private organizations (e.g. cell phone towers, non-profits) or public agencies (e.g. city, schools) for continual or one-time use? No

6. Has the District adopted policies and procedures, including bidding regulations, governing the purchase of supplies and equipment?
Yes

7. Please provide copies of:

- Most recent budget approved by the board.
- Five most recent audits accept by the board, of you have not already provided them to LAFCO.
- Fee Schedule
- Endowment Policies

8. AB 1234 (State Ethics Requirements)


- Does your district have a written policy to compensate board members for attendance at events beyond just board meetings, committee meetings and conferences? Yes
- Does your district have a written policy to reimburse board members for expenses? Yes
- Does your district use IRS reimbursement rates or adopt a policy that specifies reasonable reimbursement rates? Yes
- Are expense report forms provided to board members who require reimbursement? Yes. Are these completed forms retained on file as public documents? Yes
- Do all board members and any board-designated employees take at least two hours of ethics training at least every two years and receive a certificate of completion? General Manager is certified

Please return this questionnaire and any materials to LAFCO to either:

- LAFCO, 1170 W. Third Street, Unit 150, San Bernardino, CA 92415-0490
- mtuerpe@lafco.sbcounty.gov

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West 3rd Street, Unit 150 San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE : MARCH 10, 2021 
FROM: SAMUEL MARTINEZ, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM 17: LEGISLATIVE REPORT

RECOMMENDATION:

Staff recommends that the Commission: quote

1. Receive and file the Legislative Report;
2. Indicate its support for AB 1581 (Assembly Local Government Committee) related to the annual CALAFCO sponsored Omnibus bill.
3. On SB 13 (Dodd), either:
 - Indicate its Support, if the bill generally stays the same as currently written and that the anticipated changes will be added as a separate subsection specific to Napa County only; or,
 - Indicate its Opposition, unless amended, if the bill—as currently written—is altered significantly and/or removes San Bernardino County from the entire pilot program.
4. Indicate its support for San Diego LAFCO's legislative effort to amend Government Code Section 56133(e); and,
5. Provide direction to staff on legislation of interest or future actions, if any, and authorize the Chairman to sign letters identifying these positions and direct staff to forward said letters to the appropriate recipients.

BACKGROUND:

Attachment #1 is the CALAFCO Daily Legislative Report for Tuesday, March 9, 2021 outlining the current status of all bills considered to be of importance to LAFCO.

AB 1581 (Assembly Local Government Committee) – Local Government: omnibus

AB 1581, included as Attachment #2, is the annual Assembly Local Government Committee Omnibus bill that provides for non-substantive, technical changes/corrections to the Cortese-Knox Hertzberg Local Government Reorganization Act of 2000. CALAFCO supported the inclusion of seven items for this year's Omnibus bill and is proposing to include the removal of eight obsolete special provisions in the Act as future amendments to the bill.

Currently, the bill includes the following amendments: 1) clarifies language in Section 56133 that approval of service outside an agency's boundary is by the LAFCO from the county in which the affected territory is located, 2) renumbers the "independent judgement" provision in the Act to a section that makes it clear that it applies to all LAFCOs, including those with special seats, 3) amends Section 56427 by replacing the word "revise" with "update" to make it consistent with the language in Section 56425(g) regarding spheres of influence, and 4) streamlines the dissolution of inactive districts by exempting such dissolutions from the required property tax transfer provisions under Revenue and Taxation Code Sections 99 and 99.01.

Recommendation:

Staff recommends that the Commission adopt a support position for AB 1581 and direct staff to forward a letter outlining this position to Assemblymember Aguiar-Curry (Chair of the Committee), Committee members, CALAFCO, and to our San Bernardino County Legislative Delegation.

SB 13 – Extension of Sunset Clause of the Pilot Program for Napa and San Bernardino Counties

Senator Dodd introduced SB 799 last year related to the extension of the sunset clause to our pilot program under Government Code Section 56133.5. Due to the pandemic, SB 799 was not moved forward in the Legislature.

The new bill, SB 13 (included as Attachment #3) again proposes the extension of the sunset clause for an additional five years, however—this time—the pilot program is being reestablished in its entirety since (technically) it should have been repealed as of January 1, 2021. The bill was introduced as an urgency bill, which takes effect immediately.

However, staff was notified recently by the author's office that the City of St. Helena in Napa County is working with the Senator's office on amendments to the bill to address a specific project outside of the City of St. Helena. Attachment #4 is copy of the language being considered and negotiated between the City and Senator Dodd. The new language clearly contradicts the intent on the current language in Section 56133.5 related to supporting existing or planned use. The proposed language from the City of St. Helena changes that to include new (agricultural employee housing) development. In addition, the new language also removes San Bernardino County from the entire Section.

It has been made clear that there will be changes to the bill; however, what is not clear is whether the new language will supersede the current language or whether the new language is being added as a separate subsection of said Section 56133.5.

Recommendation:

Staff is recommending that the Commission indicate its support if the current language of the bill remains the same and that the additional language from the City of St. Helena is added as a separate subsection specific to Napa County only. Or, if the additional language from the City of St. Helena is replacing the current language and/or San Bernardino County is removed from the pilot program, staff is recommending that the Commission indicate its opposition unless the revised bill is amended. Staff recommends that the Commission direct staff to forward a letter outlining its position—whether support or oppose, unless amended—to Senator Dodd, Senate Governance and Finance Committee, Napa LAFCO, and CALAFCO.

San Diego LAFCO's Effort to Amend Government Code Section 56133(e)

In December 2020, San Diego LAFCO decided to sponsor an amendment to Government Code Section 56133(e), which relates to the exemption provisions of providing service outside an agency's boundary. The proposed amendment, included as Attachment #5, is to clearly identify that LAFCOs make the determination when a service outside an agency's boundary is exempt from LAFCO review.

As many of you are aware, this Commission already has a local policy in place that addresses the very issue related to making such determination that service to be provided is exempt from LAFCO review. In addition, this Commission also has delegated such exemption determination to the Executive Officer when the service does not facilitate development. Included as Attachment #6 is the Commission's Policies and Procedures for Out-of-Agency Service Contracts (see Policy 5). In essence, what San Diego LAFCO is trying to do is codify the Commission's local policy into law that would provide for statutory authority.

San Diego LAFCO's decision to sponsor the amendment is to get a bill in the queue for 2022. San Diego LAFCO has reached out to CSDA and other stakeholders in explaining the problem and the benefit of clarifying the statute. According to San Diego LAFCO staff, the initial response from stakeholders have been positive; however, a lot of work still needs to be done. With this in mind, San Diego LAFCO is requesting other LAFCOs to consider the proposal and, if acceptable, act to support the amendment in concept. Broadening the support among as many LAFCOs definitely gets the attention of potential authors as well as stakeholders.

Several LAFCOs have already gone on record with their support to the proposed amendment to Section 56133(e). Since the proposed amendment is in line with the Commission's policy, staff recommends that the Commission support San Diego's efforts.

Recommendation:

Staff is recommending that the Commission indicate its support to the proposed amendment to Section 56133(e) and direct staff to forward a letter outlining this position to San Diego LAFCO, the potential legislator who will sponsor the bill, as well as stakeholders.

CONCLUSION:

If there are other pieces of legislation that Commissioners are aware of that should be brought to the attention of CALAFCO or you wish staff to review in more detail, please provide the bill number reference and we will be happy to bring it back to the Commission for review.

Staff will be happy to answer any questions prior to or at the hearing.

Attachments:

1. [CALAFCO Daily Legislative Report – Dated March 9, 2021](#)
2. [Assembly Bill 1581](#)
3. [Senate Bill 13](#)
4. [Proposed Amendment to SB 13](#)
5. [San Diego LAFCO Proposal to Amend Government Code Section 56133\(e\)](#)
6. [San Bernardino LAFCO's Policy and Procedures on Out-of-Agency Service Contracts](#)

CALAFCO Daily Legislative Report as of Tuesday, March 09, 2021

1

AB 339 (Lee D) State and local government: open meetings.

Current Text: Introduced: 1/28/2021 [html](#) [pdf](#)

Introduced: 1/28/2021

Status: 1/29/2021-From printer. May be heard in committee February 28.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires all meetings, as defined, of a house of the Legislature or a committee thereof to be open and public, and requires all persons to be permitted to attend the meetings, except as specified. This bill would require all meetings, including gatherings using teleconference technology, to include an opportunity for all persons to attend via a call-in option or an internet-based service option that provides closed captioning services and requires both a call-in and an internet-based service option to be provided to the public.

Position: Watch

Subject: Other

CALAFCO Comments: This bill allows for continued remote participant in local (and state) hearings/meetings while adding requirements for both call-in and internet service based options for all public meetings; requires providing closed caption services; and requires agencies to provide language access services.

The bill requires teleconferenced meetings to include an in-person public comment opportunity that creates a place where members of the public can gather at a designated site to give public comment (barring any in-person restrictions). Further, the bill requires the agenda and instructions for accessing the meeting to be translated into all languages for which 5% of the population in the area governed by the local agency is a speaker.

The bill adds requirements for local agencies to employ a sufficient amount of qualified bilingual people to provide translation services during the meeting in the language of the non-English speaking person (consistent with all languages for which 5% of the population in the area governed by the local agency speak).

The bill adds similar requirements for any state legislative body.

This bill is sponsored by the Leadership Council for Justice and Accountability.

AB 361 (Rivas, Robert D) Open meetings: local agencies: teleconferences.

Current Text: Introduced: 2/1/2021 [html](#) [pdf](#)

Introduced: 2/1/2021

Status: 2/12/2021-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would authorize a local agency to use teleconferencing without complying with the teleconferencing requirements imposed by the Ralph M. Brown Act when a legislative body of a local agency holds a meeting for the purpose of declaring or ratifying a local emergency, during a declared state or local emergency, as those terms are defined, when state or local health officials have imposed or recommended measures to promote social distancing, and during a declared local emergency provided the legislative body makes certain determinations by majority vote.

Position: Watch

Subject: Other

CALAFCO Comments: Executive Order No. N-29-20 suspends the Ralph M. Brown Act's requirements for teleconferencing during the COVID-19 pandemic provided that certain requirements are met (noticing, public access, etc.). This bill allows a local agency to conduct

meetings using teleconference methods without complying with certain teleconferencing requirements if they are meeting for the purposes of declaring or ratifying a local emergency, during a declared state or local emergency (as defined in statute), when state or local health officials have imposed or recommended certain measures to promote social distancing, and during a declared local emergency provided the legislative body makes certain determinations by majority vote.

The legislative body must give notice of the meeting and post agendas to allow members of the public to access the meeting and address the legislative body, offer public comment, and protect rights of the parties and public appearing before the legislative body.

This bill is sponsored by the CA Special Districts Association (CSDA).

AB 703 (Rubio, Blanca D) Open meetings: local agencies: teleconferences.

Current Text: Introduced: 2/16/2021 [html](#) [pdf](#)

Introduced: 2/16/2021

Status: 2/25/2021-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, by Executive Order N-29-20, suspends the Ralph M. Brown Act's requirements for teleconferencing during the COVID-19 pandemic, provided that notice requirements are met, the ability of the public to observe and comment is preserved, as specified, and that a local agency permitting teleconferencing have a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, as specified. This bill would remove the requirements of the act particular to teleconferencing and allow for teleconferencing subject to existing provisions regarding the posting of notice of an agenda and the ability of the public to observe the meeting and provide public comment. The bill would require that, in each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the local agency also give notice of the means by which members of the public may observe the meeting and offer public comment and that the legislative body have and implement a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, consistent with the federal Americans with Disabilities Act, as provided.

Position: Watch

Subject: Other

SB 810 (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/23/2021 [html](#) [pdf](#)

Introduced: 2/23/2021

Status: 3/5/2021-Set for hearing March 11.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/11/2021 Upon adjournment of Session - John L. Burton Hearing Room (4203)
SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

This bill would enact the First Validating Act of 2021, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: Other

CALAFCO Comments: These are the annual validating Acts.

SB 811 (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/23/2021 [html](#) [pdf](#)

Introduced: 2/23/2021

Status: 3/5/2021-Set for hearing March 11.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/11/2021 Upon adjournment of Session - John L. Burton Hearing Room (4203)
SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

This bill would enact the Second Validating Act of 2021, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: Other

CALAFCO Comments: These are the annual validating Acts.

SB 812 (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/23/2021 [html](#) [pdf](#)

Introduced: 2/23/2021

Status: 3/5/2021-Set for hearing March 11.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/11/2021 Upon adjournment of Session - John L. Burton Hearing Room (4203)
SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

This bill would enact the Third Validating Act of 2021, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: Other

CALAFCO Comments: These are the annual validating Acts.

AB 1195 (Garcia, Cristina D) Southern Los Angeles County Regional Water Agency.

Current Text: Introduced: 2/18/2021 [html](#) [pdf](#)

Introduced: 2/18/2021

Status: 3/4/2021-Referred to Coms. on L. GOV. and E.S. & T.M.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would create the Southern Los Angeles County Regional Water Agency as a regional water agency serving the drinking water needs of the cities, unincorporated areas, and residents in the communities overlying the Central Basin and West Coast Basin aquifers in southern Los Angeles County. The bill would require the agency to serve the region as the leader in interagency collaboration on water resource issues and to be governed by a 5-member board of locally elected officials in the agency's jurisdiction, each appointed by a specified state or local entity. The bill would authorize the agency to serve the water needs of its region through specified activities, including, among others, operating public water systems or other water infrastructure and integrating other water systems in the region into its operations, as prescribed.

Position: Watch

Subject: Water

SB 55 (Stern D) Very high fire hazard severity zone: state responsibility area: development prohibition.

Current Text: Introduced: 12/7/2020 [html](#) [pdf](#)

Introduced: 12/7/2020

Status: 3/3/2021-Re-referred to Coms. on GOV. & F. and HOUSING.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would, in furtherance of specified state housing production and wildfire mitigation goals, prohibit the creation or approval of a new development, as defined, in a very high fire hazard severity zone

or a state responsibility area. By imposing new duties on local governments with respect to the approval of new developments in very high fire hazard severity zones and state responsibility areas, this bill would impose a state-mandated local program.

Position: Watch

Subject: Growth Management, Planning

CALAFCO Comments: This bill prohibits the creation or approval of a new development in a very high fire hazard severity zone or a state responsibility area.

3

AB 11 (Ward D) Climate change: regional climate change authorities.

Current Text: Amended: 1/21/2021 [html](#) [pdf](#)

Introduced: 12/7/2020

Last Amended: 1/21/2021

Status: 1/25/2021-Re-referred to Com. on NAT. RES.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would require the Strategic Growth Council, by January 1, 2023, to establish up to 12 regional climate change authorities to coordinate climate adaptation and mitigation activities in their regions, and coordinate with other regional climate adaptation authorities, state agencies, and other relevant stakeholders.

Position: Watch

Subject: Other

CALAFCO Comments: As amended on 1/21/21, this bill authorizes/requires the Strategic Growth Council (SGC) to establish up to 12 regional climate change authorities by January 1, 2023, to include local agencies and regional stakeholders. The SGC is required to adopt guidelines that: (1) Define the authority; (2) Include guidelines for establishing an authority via a stakeholder-driven process; (3) Consult with OPR (and other state authorities) in development of the guidelines and award annual grants to authorities.

The bill outlines the regional climate change authorities in summary as: coordination, capacity-building, and technical assistance activities within their boundaries, promote regional alignment and assist local agencies in creating and implementing plans developed pursuant to Section 65302 of the Government Code, other federal or state mandates, and programs designed address climate change impacts and risks. The bill also requires the authority to submit annual reports to the SGC, with the scope of the report outlined in the bill.

AB 428 (Mayes I) Local government planning.

Current Text: Introduced: 2/4/2021 [html](#) [pdf](#)

Introduced: 2/4/2021

Status: 2/5/2021-From printer. May be heard in committee March 7.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, makes certain findings and declarations relating to local government organizations, including, among other things, the encouragement of orderly growth and development, and the logical formation and modification of the boundaries of local agencies. This bill would make nonsubstantive changes to these findings and declarations.

Position: Watch

CALAFCO Comments: This is a spot bill.

AB 473 (Chau D) California Public Records Act.

Current Text: Introduced: 2/8/2021 [html](#) [pdf](#)

Introduced: 2/8/2021

Status: 2/18/2021-Referred to Com. on JUD.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/23/2021 9 a.m. - State Capitol, Room 4202 ASSEMBLY JUDICIARY, STONE, Chair

Summary:

The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. This bill would recodify and reorganize the provisions of the act. The bill would include provisions to govern the effect of recodification and state that the bill is intended to be entirely nonsubstantive in effect. The bill would contain related legislative findings and declarations. The bill would become operative on January 1, 2023.

Position: Watch

Subject: Public Records Act

CALAFCO Comments: This bill is a redo of AB 2138 from 2020 that did not move forward. According to the author's office, this bill and AB 474 are part of recommendations from the California Law Revision Commissions to reorganize and restructure the CPRA based on a request by the legislature for them to do that. CALAFCO will keep watch on the bill to ensure there are no substantive changes to the PRA.

AB 474 (Chau D) California Public Records Act: conforming revisions.

Current Text: Introduced: 2/8/2021 [html](#) [pdf](#)

Introduced: 2/8/2021

Status: 2/18/2021-Referred to Com. on JUD.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/23/2021 9 a.m. - State Capitol, Room 4202 ASSEMBLY JUDICIARY, STONE, Chair

Summary:

Would enact various conforming and technical changes related to another bill that recodifies and reorganizes the California Public Records Act. The bill would only become operative if the related bill recodifying the act is enacted and becomes operative on January 1, 2023. The bill would also specify that any other bill enacted by the Legislature during the 2021 calendar year that takes effect on or before January 1, 2022, and that affects a provision of this bill shall prevail over this act, except as specified.

Position: Watch

Subject: Public Records Act

CALAFCO Comments: This bill is a redo of AB 2438 from 2020 that did not move forward. According to the author's office, this bill and AB 473 are part of recommendations from the California Law Revision Commissions to reorganize and restructure the CPRA based on a request by the legislature for them to do that. CALAFCO will keep watch on the bill to ensure there are no substantive changes to the PRA.

AB 588 (Garcia, Eduardo D) Local government.

Current Text: Introduced: 2/11/2021 [html](#) [pdf](#)

Introduced: 2/11/2021

Status: 2/12/2021-From printer. May be heard in committee March 14.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts, except as specified. This bill would make a nonsubstantive change to the provision naming the act.

Position: Watch

Subject: Other

CALAFCO Comments: This is a spot bill. According to the author's office there is no current intended use for the bill.

AB 897 (Mullin D) Office of Planning and Research: regional climate networks: climate adaptation action plans.

Current Text: Introduced: 2/17/2021 [html](#) [pdf](#)

Introduced: 2/17/2021

Status: 2/25/2021-Referred to Com. on NAT. RES.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires, by July 1, 2017, and every 3 years thereafter, the Natural Resources Agency to update, as prescribed, the state's climate adaptation strategy, known as the Safeguarding California Plan. Current law establishes the Office of Planning and Research in state government in the Governor's office. Current law establishes the Integrated Climate Adaptation and Resiliency Program to be administered by the office to coordinate regional and local efforts with state climate adaptation strategies to adapt to the impacts of climate change, as prescribed. This bill would authorize eligible entities, as defined, to establish and participate in a regional climate network, as defined. The bill would require the office to encourage the inclusion of agencies with land use planning authority into regional climate networks.

Position: Watch

Subject: Climate Change

CALAFCO Comments: As introduced, the bill builds on existing programs through OPR by promoting regional collaboration in climate adaptation planning and providing guidance for regions to identify and prioritize projects necessary to respond to the climate vulnerabilities of their region.

The bill requires OPR to develop guidelines (the scope of which are outlined in the bill) for Regional Climate Adaptation Action Plans (RCAAPs) by 7-1-22 through their normal public process. Further the bill requires OPR to make recommendations to the Legislature on potential sources of financial assistance for the creation & implementation of RCAAPs, and ways the state can support the creation and ongoing work of regional climate networks. The bill would allow LAFCOs to be a part of these regional climate networks.

AB 903 (Frazier D) Los Medanos Community Healthcare District.

Current Text: Introduced: 2/17/2021 [html](#) [pdf](#)

Introduced: 2/17/2021

Status: 2/25/2021-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would require the dissolution of the Los Medanos Community Healthcare District, as specified. The bill would require the County of Contra Costa to be successor of all rights and responsibilities of the district, and require the county to complete a property tax transfer process to ensure the transfer of the district's health-related ad valorem property tax revenues to the county in order to operate the Los Medanos Area Health Plan Grant Program. By requiring a higher level of service from the County of Contra Costa as described above, the bill would impose a state-mandated local program.

Position: Watch

CALAFCO Comments: This bill mandates the dissolution of the Los Medanos Community Healthcare District with the County as the successor agency, effective 2-1-22. The bill requires the County to perform certain acts prior to the dissolution. The LAFCo is not involved in the dissolution as the bill is written. Currently, the district is suing both the Contra Costa LAFCo and the County of Contra Costa after the LAFCo approved the dissolution of the district upon application by the County and the district failed to get enough signatures in the protest process to go to an election.

AB 959 (Mullin D) Park districts: regulations: nuisances: abatement.

Current Text: Introduced: 2/17/2021 [html](#) [pdf](#)

Introduced: 2/17/2021

Status: 3/4/2021-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law prescribes procedures, including the election of a board of directors, for the formation of regional park districts, regional park and open-space districts, or regional open-space districts. Current law authorizes 3 or more cities, together with any parcel or parcels of city or county territory, whether in the same or different counties, to organize and incorporate, but requires that all the territory in the proposed district be contiguous. Current law requires the board of directors to superintend, control, and make available to all the inhabitants of the district all public recreation lands and facilities, as provided. Existing law authorizes the board to adopt regulations. Current law provides that a violation of an ordinance, rule, or regulation adopted by the board is a

misdemeanor punishable by a fine or imprisonment in the county jail, as provided. This bill would authorize the board of directors to adopt regulations relating to nuisances and establish a procedure for the abatement of the nuisances, including administrative abatement.

Position: Watch

CALAFCO Comments: As introduced, this bill gives authority to independent regional park & open space districts governed by PRC 5500 to: (1) Declare by ordinance what constitutes a public nuisance; (2) Abate those public nuisances by either administrative or civil actions; and (3) Ability to recover costs incurred in abating the public nuisance, including attorneys' fees. There are 4 of these independent special districts: (1) Midpeninsula Regional Open Space District; (2) East Bay Regional Park District; (3) Monterey Peninsula Regional Park District; and (4) Napa County Regional Park and Open Space District.

AB 975 (Rivas, Luz D) Political Reform Act of 1974: statement of economic interests and gifts.

Current Text: Introduced: 2/18/2021 [html](#) [pdf](#)

Introduced: 2/18/2021

Status: 3/4/2021-Referred to Com. on ELECTIONS.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Political Reform Act of 1974 regulates conflicts of interests of public officials and requires that public officials file, with specified filing officers, periodic statements of economic interests disclosing certain information regarding income, investments, and other financial data. The Fair Political Practices Commission is the filing officer for statewide elected officers and candidates and other specified public officials. If the Commission is the filing officer, the public official generally files with their agency or another person or entity, who then makes a copy and files the original with the Commission. This bill would revise and recast these filing requirements to make various changes, including requiring public officials and candidates for whom the Commission is the filing officer to file their original statements of economic interests electronically with the Commission.

Position: Watch

CALAFCO Comments: As introduced, this bill makes two notable changes to the current requirements of gift notification and reporting: (1) It increases the period for public officials to reimburse, in full or part, the value of attending an invitation-only event, for purposes of the gift rules, from 30 days from receipt to 30 days following the calendar quarter in which the gift was received; and (2) It reduces the gift notification period for lobbyist employers from 30 days after the end of the calendar quarter in which the gift was provided to 15 days after the calendar quarter. Further it requires the FPPC to have an online filing system and to redact contact information of filers before posting.

AB 1246 (Nguyen R) Community services districts.

Current Text: Introduced: 2/19/2021 [html](#) [pdf](#)

Introduced: 2/19/2021

Status: 2/22/2021-Read first time.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, the Community Services District Law, authorizes the formation of community services districts for various specified purposes, including supplying water, treating sewage, disposing of solid waste, and providing fire protection. The law specifies its relation and effect on certain districts organized pursuant to former laws and to actions taken by them, among other things. This bill would make nonsubstantive changes to those provisions.

Position: Watch

CALAFCO Comments: This is a spot bill.

AB 1250 (Calderon D) Water and sewer system corporations: consolidation of service.

Current Text: Introduced: 2/19/2021 [html](#) [pdf](#)

Introduced: 2/19/2021

Status: 3/4/2021-Referred to Coms. on E.S. & T.M. and U. & E.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The California Safe Drinking Water Act, provides for the operation of public water systems and imposes on the State Water Resources Control Board related regulatory responsibilities and duties. Current law authorizes the state board to order consolidation of public water systems where a public water system or state small water system serving a disadvantaged community consistently fails to provide an adequate supply of safe drinking water, as provided. This bill, the Consolidation for Safe Drinking Water Act of 2021, would authorize a water or sewer system corporation to file an application and obtain approval from the commission through an order authorizing the water or sewer system corporation to consolidate with a public water system or state small water system. The bill would require the commission to approve or deny the application within 8 months, except as provided.

Position: Watch

AB 1295 (Muratsuchi D) Residential development agreements: very high fire risk areas.

Current Text: Introduced: 2/19/2021 [html](#) [pdf](#)

Introduced: 2/19/2021

Status: 3/4/2021-Referred to Coms. on L. GOV. and H. & C.D.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires the Director of Forestry and Fire Protection to identify areas in the state as very high fire hazard severity zones based on the severity of fire hazard that is expected to prevail in those areas, as specified, and requires each local agency to designate, by ordinance, the very high fire hazard severity zones in its jurisdiction. Current law additionally requires the director to classify lands within state responsibility areas into fire hazard severity zones. This bill, beginning on or after January 1, 2022, would prohibit the legislative body of a city or county from entering into a residential development agreement for property located in a very high fire risk area. The bill would define "very high fire risk area" for these purposes to mean a very high fire hazard severity zone designated by a local agency or a fire hazard severity zone classified by the director.

Position: Watch

AB 1477 (Cervantes D) Mosquito abatement and vector control districts.

Current Text: Introduced: 2/19/2021 [html](#) [pdf](#)

Introduced: 2/19/2021

Status: 2/22/2021-Read first time.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, the Mosquito Abatement and Vector Control District Law, provides for the establishment of mosquito abatement and vector control districts, to be governed by a board of trustees, appointed as provided. This bill would make technical, nonsubstantive changes to these provisions.

Position: Watch

CALAFCO Comments: This is a spot bill.

SB 10 (Wiener D) Planning and zoning: housing development: density.

Current Text: Amended: 2/24/2021 [html](#) [pdf](#)

Introduced: 12/7/2020

Last Amended: 2/24/2021

Status: 2/24/2021-Set for hearing March 18. From committee with author's amendments. Read second time and amended. Re-referred to Com. on HOUSING.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/18/2021 Upon adjournment of Agriculture Committee - John L. Burton Hearing Room (4203)
SENATE HOUSING, WIENER, Chair

Summary:

Would, notwithstanding any local restrictions on adopting zoning ordinances, authorize a local government to pass an ordinance to zone any parcel for up to 10 units of residential density per parcel, at a height specified in the ordinance, if the parcel is located in a transit-rich area, a jobs-

rich area, or an urban infill site, as those terms are defined. In this regard, the bill would require the Department of Housing and Community Development, in consultation with the Office of Planning and Research, to determine jobs-rich areas and publish a map of those areas every 5 years, commencing January 1, 2023, based on specified criteria. The bill would specify that an ordinance adopted under these provisions, and any resolution adopted to amend the jurisdiction's General Plan to be consistent with that ordinance, is not a project for purposes of the California Environmental Quality Act.

Position: Watch
Subject: Housing

SB 13 (Dodd D) Local agency services: contracts: Counties of Napa and San Bernardino.

Current Text: Introduced: 12/7/2020 [html](#) [pdf](#)

Introduced: 12/7/2020

Status: 1/28/2021-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 establishes a pilot program under which the commissions in the Counties of Napa and San Bernardino, upon making specified determinations at a noticed public hearing, may authorize a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to support existing or planned uses involving public or private properties, as provided. Current law requires the Napa and San Bernardino commissions to submit a report to the Legislature on their participation in the pilot program, as specified, before January 1, 2020, and repeals the pilot program as of January 1, 2021. This bill would reestablish the pilot program, which would remain in effect until January 1, 2026. The bill would impose a January 1, 2025, deadline for the Napa and San Bernardino commissions to report to the Legislature on the pilot program, and would require the contents of that report to include how many requests for extension of services were received under these provisions.

Position: Watch
Subject: CKH General Procedures

CALAFCO Comments: This bill is the same as SB 799 from 2020 and seeks to re-establish and continue the pilot program for five more years. The program ended as of January 1, 2021 but due to the pandemic, SB 799 from 2020 to extend the sunset was not moved forward in the legislature.

SB 96 (Dahle R) Fallen Leaf Lake Community Services District Fire Department Protection Act of 2021: elections.

Current Text: Introduced: 12/21/2020 [html](#) [pdf](#)

Introduced: 12/21/2020

Status: 1/28/2021-Referred to Coms. on GOV. & F. and E. & C.A.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would require the El Dorado County elections official, with the assistance of the Fallen Leaf Lake Community Services District, to conduct district elections pursuant to the Uniform District Election Law, except as otherwise provided in the bill. The bill, notwithstanding existing law, would provide that voters who are resident registered voters of the district, and voters who are not residents but either own a real property interest in the district or have been designated by the owner of a real property interest to cast the vote for that property, may vote in a district election in the Fallen Leaf Lake Community Services District, as specified. The bill would require the designations of voters and authority of legal representatives to be filed with the El Dorado County elections official and the secretary of the Fallen Leaf Lake Community Services District and maintained with the list of qualified voters of the district. This bill contains other related provisions and other existing laws.

Position: Watch
Subject: Special Districts Governance

CALAFCO Comments: This bill is the same as SB 1180 from 2020 which did not move through the legislature. It is a local El Dorado County/district bill. This bill does several things. (1) Provides that voters who are resident registered voters of the district, and voters who are not residents but either own a real property interest in the district or have been designated by the owner of a real property interest to cast the vote for that property, may vote in a district election in the Fallen Leaf Lake Community Services. (2) The bill also would authorize a voter who is not a resident of the

district but owns a real property interest in the district to designate only one voter to vote on their behalf, regardless of the number of parcels in the district owned by the nonresident voter. (3) This bill would prohibit the Fallen Leaf Lake Community Services District from providing any services or facilities except fire protection and medical services, including emergency response and services, as well as parks and recreation services and facilities.

SB 273 (Hertzberg D) Water quality: municipal wastewater agencies.

Current Text: Introduced: 1/29/2021 [html](#) [pdf](#)

Introduced: 1/29/2021

Status: 3/2/2021-Set for hearing March 11.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/11/2021 Upon adjournment of Session - John L. Burton Hearing Room (4203)

SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

Would authorize a municipal wastewater agency, as defined, to enter into agreements with entities responsible for stormwater management for the purpose of managing stormwater and dry weather runoff, to acquire, construct, expand, operate, maintain, and provide facilities for specified purposes relating to managing stormwater and dry weather runoff, and to levy taxes, fees, and charges consistent with the municipal wastewater agency's existing authority in order to fund projects undertaken pursuant to the bill. The bill would require the exercise of any new authority granted under the bill to comply with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. To the extent this requirement would impose new duties on local agency formation commissions, the bill would impose a state-mandated local program.

Position: Support

Subject: Municipal Services

CALAFCO Comments: This bill is a redo of SB 1052 from 2020 that was not moved forward because of the pandemic. This bill adds authority to municipal wastewater agencies as outlined in 13911(a) and (b) relating to stormwater runoff and management. The bill authorizes this additional authority while keeping the LAFCo process to activate these latent powers intact.

CALAFCO is requesting an amendment to add a requirement that upon entering into the agreement, the agency has 30 days to file a copy of that agreement or amended agreement with the LAFCo.

SB 274 (Wieckowski D) Local government meetings: agenda and documents.

Current Text: Introduced: 1/29/2021 [html](#) [pdf](#)

Introduced: 1/29/2021

Status: 2/22/2021-Art. IV. Sec. 8(a) of the Constitution dispensed with. (Ayes 32. Noes 4.) Joint Rule 55 suspended. (Ayes 32. Noes 4.)

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Ralph M. Brown Act, requires meetings of the legislative body of a local agency to be open and public and also requires regular and special meetings of the legislative body to be held within the boundaries of the territory over which the local agency exercises jurisdiction, with specified exceptions. Current law authorizes a person to request that a copy of an agenda, or a copy of all the documents constituting the agenda packet, of any meeting of a legislative body be mailed to that person. This bill would require a local agency with an internet website, or its designee, to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. If a local agency determines it to be technologically infeasible to send a copy of the documents or a link to a website that contains the documents by mail or by other electronic means, the bill would require the legislative body or its designee to send by mail a copy of the agenda or a website link to the agenda and to mail a copy of all other documents constituting the agenda packet, as specified.

Position: Support

Subject: Public Records Act

CALAFCO Comments: This bill is a modified redo of SB 931 from 2020 that did not move forward because of the pandemic. This bill updates the Government Code to require a public agency to email the agenda or agenda items to anyone who requests it or the link to the website where the

documents can be accessed (current law requires the mailing of such documents upon request, this bill adds the option to email if requested).

SB 403 (Gonzalez D) Drinking water: consolidation.

Current Text: Introduced: 2/12/2021 [html](#) [pdf](#)

Introduced: 2/12/2021

Status: 3/3/2021-Set for hearing March 15.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/15/2021 9 a.m. - John L. Burton Hearing Room (4203) SENATE ENVIRONMENTAL QUALITY, ALLEN, Chair

Summary:

The California Safe Drinking Water Act authorizes the State Water Resources Control Board to order consolidation with a receiving water system where a public water system or a state small water system, serving a disadvantaged community, consistently fails to provide an adequate supply of safe drinking water or where a disadvantaged community is substantially reliant on domestic wells that consistently fail to provide an adequate supply of safe drinking water. This bill would authorize the state board to also order consolidation where a water system serving a disadvantaged community is at risk of failing to provide an adequate supply of safe drinking water or where a disadvantaged community is substantially reliant on domestic wells that are at risk of failing to provide an adequate supply of safe drinking water.

Position: Watch

Subject: Disadvantaged Communities, Water

CALAFCO Comments: Current law (Health & Safety Code Section 116682) authorizes the State Water Resources Control Board (Board) to order consolidation (physical or operational) of a public water system or state small water system serving a disadvantaged community that consistently fails to provide an adequate supply of safe drinking water, or a disadvantaged community (in whole or part) that is substantially reliant on domestic wells that consistently fail to provide an adequate supply of safe drinking water. This bill would add to that a water system or domestic well(s) that are at risk of failing to provide an adequate supply of safe drinking water, as determined by the Board. The bill also requires the Board, before ordering consolidation, to conduct outreach to ratepayers and residents served by the at-risk system and to consider any petition submitted by members of a disadvantaged community being served by the at-risk system.

SB 475 (Cortese D) Transportation planning: sustainable communities strategies.

Current Text: Introduced: 2/17/2021 [html](#) [pdf](#)

Introduced: 2/17/2021

Status: 2/25/2021-Referred to Com. on RLS.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires certain transportation planning activities by designated regional transportation planning agencies, including development of a regional transportation plan. Certain of these agencies are designated under federal law as metropolitan planning organizations. As part of a regional transportation plan, current law requires a metropolitan planning organization to adopt a sustainable communities strategy, which is designed to achieve certain targets established by the State Air Resources Board for the reduction of greenhouse gas emissions from automobiles and light trucks in the region. Existing law, to the extent the sustainable communities strategy is unable to achieve the greenhouse gas emissions reduction targets, requires the affected metropolitan planning organization to prepare an alternative planning strategy showing how the targets may be achieved through alternative development patterns, infrastructure, or additional transportation measures or policies. This bill would state the intent of the Legislature to enact subsequent legislation that would make various changes to these provisions.

Position: Watch

SB 499 (Leyva D) General plan: land use element: uses adversely impacting health outcomes.

Current Text: Introduced: 2/17/2021 [html](#) [pdf](#)

Introduced: 2/17/2021

Status: 2/25/2021-Referred to Coms. on GOV. & F. and E.Q.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would prohibit the land use element from designating land uses that have the potential to significantly degrade local air, water, or soil quality or to adversely impact health outcomes in disadvantaged communities to be located, or to materially expand, within or adjacent to a disadvantaged community or a racially and ethnically concentrated area of poverty. By expanding the duties of cities and counties in the administration of their land use planning duties, the bill would impose a state-mandated local program.

Position: Watch

Subject: Disadvantaged Communities

CALAFCO Comments: As introduced, this bill would prohibit the land use element of a general plan from designating or expanding land uses that have the potential to significantly degrade local air, water, or soil quality or to adversely impact health outcomes within or adjacent to disadvantaged communities (DACs) or a racially and ethnically concentrated area of poverty.

The sponsor of this bill is the Leadership Counsel for Justice and Accountability.

SB 574 (Laird D) Agricultural preserves: Williamson Act.

Current Text: Amended: 3/4/2021 [html](#) [pdf](#)

Introduced: 2/18/2021

Last Amended: 3/4/2021

Status: 3/5/2021-Set for hearing March 11.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/11/2021 Upon adjournment of Session - John L. Burton Hearing Room (4203)

SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

Under the California Land Conservation Act of 1965, the board of supervisors or city council may grant tentative approval for a cancellation by petition of a landowner as to all or any part of land subject to a contract, as specified. Prior to any action by the board or council giving tentative approval to the cancellation of any contract, the county assessor is required to determine the current fair market value of the land as though it were free of the contractual restriction, and requires the assessor to send the fair market value to the Department of Conservation, hereafter department, at the same time the assessor sends the value to the landowner. Current law provides for a certificate of tentative cancellation upon tentative approval of a petition by a landowner accompanied by a proposal for a specified alternative use of the land, as provided. Current law requires the board of supervisors or city council to provide notice to the department related to cancellation of the contract as well as in other specified instances. This bill would revise and recast these provisions to no longer require the assessor to provide notice to the department and to require the board of supervisors or city council to provide notice to the department if the certificate of tentative cancellation is withdrawn, as specified.

Position: Watch

SB 813 (Committee on Governance and Finance) Controller: local government financial reports.

Current Text: Introduced: 2/23/2021 [html](#) [pdf](#)

Introduced: 2/23/2021

Status: 3/3/2021-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires the Controller to compile, publish, and make publicly available on the Controller's website reports of the financial transactions and information on annual compensation of each county, city, and special district within this state. This bill would specify that the reports shall be furnished at the time prescribed by the Controller and would revise the amount of time in which the report is required to be furnished to either 7 months or within the time prescribed by the Controller, whichever is later.

Position: Watch

CALAFCO Comments: This is the annual Senate Governance & Finance Committee Omnibus bill.

Total Tracking Forms: 31

3/9/2021 3:00:17 AM

ASSEMBLY BILL

No. 1581

Introduced by Committee on Local Government

March 9, 2021

An act to amend Sections 56133, 56427, and 56879 of, and to amend and renumber Section 56325.1 of, the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1581, as introduced, Committee on Local Government. Local government: omnibus.

Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the authority and procedure for the initiation, conduct, and completion of changes of organization, reorganization, and sphere of influence changes for cities and districts, as specified. Existing law requires a local agency formation commission to develop and determine the sphere of influence of each city and each special district within the county and enact policies designed to promote the logical and orderly development of areas within each sphere. Existing law requires the commission, in order to prepare and update spheres of influence in accordance with this requirement, to conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission, as specified.

Existing law requires the commission to adopt, amend, or revise spheres of influence after a public hearing called and held for that purpose.

This bill would revise and recast that provision to provide that the commission is required to adopt, amend, or update spheres of influence after a public hearing called and held for that purpose.

Existing law authorizes a commission in the county which an extension of service is proposed to approve (1) a city or district to provide new or extended services by contract or agreement outside its jurisdictional boundary in writing, (2) a city or district to provide new or extended services outside its jurisdictional boundary but within its sphere of influence in anticipation of a later change of organization, and (3) a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to respond to an existing or impending threat to the health or safety of the public or the residents of the affected territory if specified conditions are met.

This bill would revise and recast those provisions to remove the general requirement the commission must be in the county which an extension of service is proposed and provide that a city or district may provide new or extended services by contract or agreement outside its jurisdictional boundary only if it first requests and receives written approval from the commission of the county in which the affected territory is located.

Existing law requires the commission to dissolve inactive districts and provides that dissolved districts are not subject to specified provisions.

This bill would add that dissolved districts are not subject to specified taxation provisions related to jurisdictional changes.

This bill would make other nonsubstantive changes.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 56133 of the Government Code is
- 2 amended to read:
- 3 56133. (a) A city or district may provide new or extended
- 4 services by contract or agreement outside its jurisdictional
- 5 boundary only if it first requests and receives written approval
- 6 from the ~~commission~~. *commission of the county in which the*
- 7 *affected territory is located.*
- 8 (b) The commission may authorize a city or district to provide
- 9 new or extended services outside its jurisdictional boundary but
- 10 within its sphere of influence in anticipation of a later change of
- 11 organization.

1 (c) The commission may authorize a city or district to provide
2 new or extended services outside its jurisdictional boundary and
3 outside its sphere of influence to respond to an existing or
4 impending threat to the health or safety of the public or the
5 residents of the affected territory, if both of the following
6 requirements are met:

7 (1) The entity applying for approval has provided the
8 commission with documentation of a threat to the health and safety
9 of the public or the affected residents.

10 (2) The commission has notified any alternate service provider,
11 including any water corporation as defined in Section 241 of the
12 Public Utilities Code, that has filed a map and a statement of its
13 service capabilities with the commission.

14 (d) The executive officer, within 30 days of receipt of a request
15 for approval by a city or district to extend services outside its
16 jurisdictional boundary, shall determine whether the request is
17 complete and acceptable for filing or whether the request is
18 incomplete. If a request is determined not to be complete, the
19 executive officer shall immediately transmit that determination to
20 the requester, specifying those parts of the request that are
21 incomplete and the manner in which they can be made complete.
22 When the request is deemed complete, the executive officer shall
23 place the request on the agenda of the next commission meeting
24 for which adequate notice can be given but not more than 90 days
25 from the date that the request is deemed complete, unless the
26 commission has delegated approval of requests made pursuant to
27 this section to the executive officer. The commission or executive
28 officer shall approve, disapprove, or approve with conditions the
29 extended services. If the new or extended services are disapproved
30 or approved with conditions, the applicant may request
31 reconsideration, citing the reasons for reconsideration.

32 (e) This section does not apply to any of the following:

33 (1) Two or more public agencies where the public service to be
34 provided is an alternative to, or substitute for, public services
35 already being provided by an existing public service provider and
36 where the level of service to be provided is consistent with the
37 level of service contemplated by the existing service provider.

38 (2) The transfer of nonpotable or nontreated water.

39 (3) The provision of surplus water to agricultural lands and
40 facilities, including, but not limited to, incidental residential

1 structures, for projects that serve conservation purposes or that
2 directly support agricultural industries. However, prior to extending
3 surplus water service to any project that will support or induce
4 development, the city or district shall first request and receive
5 written approval from the commission in the affected county.

6 (4) An extended service that a city or district was providing on
7 or before January 1, 2001.

8 (5) A local publicly owned electric utility, as defined by Section
9 9604 of the Public Utilities Code, providing electric services that
10 do not involve the acquisition, construction, or installation of
11 electric distribution facilities by the local publicly owned electric
12 utility, outside of the utility's jurisdictional boundary.

13 (6) A fire protection contract, as defined in subdivision (a) of
14 Section 56134.

15 ~~(f) This section applies only to the commission of the county~~
16 ~~in which the extension of service is proposed.~~

17 SEC. 2. Section 56325.1 of the Government Code is amended
18 and renumbered to read:

19 ~~56325.1.~~

20 ~~56331.4~~ While serving on the commission, all commission
21 members shall exercise their independent judgment on behalf of
22 the interests of residents, property owners, and the public as a
23 whole in furthering the purposes of this division. Any member
24 appointed on behalf of local governments shall represent the
25 interests of the public as a whole and not solely the interests of the
26 appointing authority. This section does not require the abstention
27 of any member on any matter, nor does it create a right of action
28 in any person.

29 SEC. 3. Section 56427 of the Government Code is amended
30 to read:

31 56427. The commission shall adopt, amend, or ~~revise~~ *update*
32 spheres of influence after a public hearing called and held for that
33 purpose. At least 21 days prior to the date of that hearing, the
34 executive officer shall give mailed notice of the hearing to each
35 affected local agency or affected county, and to any interested
36 party who has filed a written request for notice with the executive
37 officer. In addition, at least 21 days prior to the date of that hearing,
38 the executive officer shall cause notice of the hearing to be
39 published in accordance with Section 56153 in a newspaper of
40 general circulation which is circulated within the territory affected

1 by the sphere of influence proposed to be adopted. The commission
2 may continue from time to time any hearing called pursuant to this
3 section.

4 At any hearing called and held pursuant to this section, the
5 commission shall hear and consider oral or written testimony
6 presented by any affected local agency or affected county or any
7 interested person who wishes to appear.

8 This section shall only apply to spheres of influence adopted by
9 the commission after January 1, 1975.

10 SEC. 4. Section 56879 of the Government Code is amended
11 to read:

12 56879. (a) On or before November 1, 2018, and every year
13 thereafter, the Controller shall create a list of special districts that
14 are inactive, as defined in Section 56042, based upon the financial
15 reports received by the Controller pursuant to Section 53891. The
16 Controller shall publish the list of inactive districts on the
17 Controller's ~~Internet Web site~~; *internet website*. The Controller
18 shall also notify the commission in the county or counties in which
19 the district is located if the Controller has included the district in
20 this list.

21 (b) The commission shall initiate dissolution of inactive districts
22 by resolution within 90 days of receiving notification from the
23 Controller pursuant to subdivision (a), unless the commission
24 determines that the district does not meet the criteria set forth in
25 Section 56042. The commission shall notify the Controller if the
26 commission determines that a district does not meet the criteria
27 set forth in Section 56042.

28 (c) The commission shall dissolve inactive districts. The
29 commission shall hold one public hearing on the dissolution of an
30 inactive district pursuant to this section no more than 90 days
31 following the adoption of the resolution initiating dissolution. The
32 dissolution of an inactive district shall not be subject to any of the
33 following:

34 (1) Chapter 1 (commencing with Section 57000) to Chapter 7
35 (commencing with Section 57176), inclusive, of Part 4.

36 (2) Determinations pursuant to subdivision (b) of Section 56881.

37 (3) Requirements for commission-initiated changes of
38 organization described in paragraph (3) of subdivision (a) of
39 Section 56375.

- 1 (4) *Sections 99 and 99.01 of the Revenue and Taxation Code.*

O

Introduced by Senator Dodd

December 7, 2020

An act to add and repeal Section 56133.5 of the Government Code, relating to local agency formation, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 13, as introduced, Dodd. Local agency services: contracts: Counties of Napa and San Bernardino.

Under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, a city or district may only provide new or extended services by contract or agreement outside of its jurisdictional boundary if it requests and receives written approval, as provided, from the local agency formation commission in the county in which the extension of service is proposed. The act establishes a pilot program under which the commissions in the Counties of Napa and San Bernardino, upon making specified determinations at a noticed public hearing, may authorize a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to support existing or planned uses involving public or private properties, as provided. Existing law requires the Napa and San Bernardino commissions to submit a report to the Legislature on their participation in the pilot program, as specified, before January 1, 2020, and repeals the pilot program as of January 1, 2021.

This bill would reestablish the pilot program, which would remain in effect until January 1, 2026. The bill would impose a January 1, 2025, deadline for the Napa and San Bernardino commissions to report to the Legislature on the pilot program, and would require the contents of that

report to include how many requests for extension of services were received under these provisions.

This bill would make legislative findings and declarations as to the necessity of a special statute for the Counties of Napa and San Bernardino.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 56133.5 is added to the Government
2 Code, to read:

3 56133.5. (a) A pilot program is hereby established for the
4 Napa and San Bernardino commissions. If consistent with adopted
5 policy, the Napa and San Bernardino commissions may authorize
6 a city or district to provide new or extended services outside its
7 jurisdictional boundary and outside its sphere of influence to
8 support existing or planned uses involving public or private
9 properties, subject to approval at a noticed public hearing in which
10 the commission makes all of the following determinations:

11 (1) The extension of service or services deficiency was identified
12 and evaluated in a review of municipal services prepared pursuant
13 to Section 56430.

14 (2) The extension of service will not result in either: (A) adverse
15 impacts on open space or agricultural lands or (B) growth inducing
16 impacts.

17 (3) A sphere of influence change involving the affected territory
18 and its affected agency is not feasible under this division or
19 desirable based on the adopted policies of the commission.

20 (b) Subdivision (d) of Section 56133 shall apply to any request
21 for new or extended services pursuant to this section.

22 (c) For purposes of this section, “planned use” means any project
23 that is included in an approved specific plan as of July 1, 2015.

24 (d) The Napa and San Bernardino commissions shall submit a
25 report before January 1, 2025, to the Legislature on their
26 participation in the pilot program, including how many requests
27 for extension of services were received on or after the effective
28 date of this section, and the action by the commission to approve,

1 disapprove, or approve with conditions. The report required to be
2 submitted pursuant to this subdivision shall be submitted in
3 compliance with Section 9795 of the Government Code.

4 (e) The pilot program established pursuant to this section shall
5 be consistent with Chapter 8.5 (commencing with Section 1501)
6 of Part 1 of Division 1 of the Public Utilities Code.

7 (f) This section shall remain in effect only until January 1, 2026,
8 and as of that date is repealed.

9 SEC. 2. The Legislature finds and declares that a special statute
10 is necessary and that a general statute cannot be made applicable
11 within the meaning of Section 16 of Article IV of the California
12 Constitution because of the unique circumstances relating to
13 implementing the pilot program described in Section 56133.5 of
14 the Government Code in the Counties of Napa and San Bernardino.

15 SEC. 3. This act is an urgency statute necessary for the
16 immediate preservation of the public peace, health, or safety within
17 the meaning of Article IV of the California Constitution and shall
18 go into immediate effect. The facts constituting the necessity are:

19 Due to the public health crisis resulting from the coronavirus
20 (COVID-19) pandemic, the Legislature was not able to vote on
21 the extension of the pilot program described in Section 56133.5
22 of the Government Code, which provides necessary public services.
23 In order to preserve the public peace and safety and avoid any
24 interruptions in the approval process for a city or district to provide
25 public services outside its boundaries and sphere of influence, it
26 is necessary for this act to take effect immediately.

Government Code

Sec. 56133.5 Extension of services outside jurisdictional boundary or sphere of influence; Napa County.

(a) The Napa commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to support existing uses, properties that already have a connection to other services from the providing city or district, and/or new agricultural employee housing development, each involving public or private properties, subject to approval at a noticed public hearing in which the commission makes all of the following determinations:

(1) The extension of service or services will (i) result in specific environmental benefits, including but not limited to converting existing land uses from using septic systems to connecting to a treated sewer system, or (ii) will facilitate the development of an agricultural employee housing development of not less than 10 units.

(2) A sphere of influence change involving the affected territory and its affected agency is not feasible under this division or desirable based on the adopted policies of the commission.

(b) Subdivision (d) of Section 56133 shall apply to any request for new or extended services pursuant to this Section.

(c) For purposes of this Section, an “agricultural employee housing development” shall be a development as contemplated by Health and Safety Code Section 17021.8.

Government Code Section 56133
Proposed Amendment Regarding Exception Determination

56133.

(a) A city or district may provide new or extended services by contract or agreement outside its jurisdictional boundary only if it first requests and receives written approval from the commission.

(b) The commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary but within its sphere of influence in anticipation of a later change of organization.

(c) If consistent with adopted policy, the commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to respond to an existing or impending threat to the health or safety of the public or the residents of the affected territory, if both of the following requirements are met:

(1) The entity applying for approval has provided the commission with documentation of a threat to the health and safety of the public or the affected residents.

(2) The commission has notified any alternate service provider, including any water corporation as defined in Section 241 of the Public Utilities Code, that has filed a map and a statement of its service capabilities with the commission.

(d) The executive officer, within 30 days of receipt of a request for approval by a city or district to extend services outside its jurisdictional boundary, shall determine whether the request is complete and acceptable for filing or whether the request is incomplete. If a request is determined not to be complete, the executive officer shall immediately transmit that determination to the requester, specifying those parts of the request that are incomplete and the manner in which they can be made complete. When the request is deemed complete, the executive officer shall place the request on the agenda of the next commission meeting for which adequate notice can be given but not more than 90 days from the date that the request is deemed complete, unless the commission has delegated approval of requests made pursuant to this section to the executive officer. The commission or executive officer shall approve, disapprove, or approve with conditions the extended services. If the new or extended services are disapproved or approved with conditions, the applicant may request reconsideration, citing the reasons for reconsideration.

(e) This section does not apply to any of the following **as determined by the commission or the executive officer:**

(1) Two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.

(2) The transfer of nonpotable or nontreated water.

(3) The provision of surplus water to agricultural lands and facilities, including, but not limited to, incidental residential structures, for projects that serve conservation purposes or that directly support agricultural industries. However, prior to extending surplus

water service to any project that will support or induce development, the city or district shall first request and receive written approval from the commission in the affected county.

(4) An extended service that a city or district was providing on or before January 1, 2001.

(5) A local publicly owned electric utility, as defined by Section 9604 of the Public Utilities Code, providing electric services that do not involve the acquisition, construction, or installation of electric distribution facilities by the local publicly owned electric utility, outside of the utility's jurisdictional boundary.

(6) A fire protection contract, as defined in subdivision (a) of Section 56134.

(f) This section applies only to the commission of the county in which the extension of service is proposed.

OUT OF AGENCY SERVICE CONTRACTS

BACKGROUND:

Beginning January 1, 1994 the Local Agency Formation Commission was charged with the responsibility for reviewing and taking action on a city or district contract to extend service outside its jurisdiction under the provisions of Government Code Section 56133. These are unique actions not directly related to the processing of other types of proposals as defined in the Cortese-Knox-Hertzberg Local Government Reorganization Act and these policies and procedures will provide guidance on their processing.

POLICIES:

(Adopted May 18, 1994; Amended December 20, 2000, March 16, 2016.)

1. DEFINITIONS

The definition of terms that follow has been developed to assist in the implementation of Government Code Section 56133 since its terminology, in some areas, is not reflective of current statutory definitions or has no statutory definition within Cortese-Knox-Hertzberg:

- A. "New or extended services" shall mean for cities, the provision of those services authorized a city under its enabling legislation; and for special districts, service shall remain as defined in Government Code Section 56074. It is important to note that a district would be precluded from providing a "new service" unless it has been first authorized that service under existing special district regulations regarding activation of latent functions or services.
- B. "Contract or agreement" shall mean a contract, agreement, or other legal instrument, which requires or agrees to the delivery of service to a property or a defined service area.
- C. "Written approval of the Commission" shall mean the adoption of a resolution of the Commission approving the service agreement/contract at a noticed public hearing or the document signed by the Executive Officer authorizing the completion of the contract in cases where the Executive Officer has been authorized to approve the service agreement/contract (see Policy 2 below).
- D. "Affected County" shall be defined in the same manner as Government Code Section 56012 but relating to the area to which contractual service will be delivered.

- E. "Anticipation of a later change of organization." The inclusion of an area to be served within the sphere of influence of the serving agency shall be sufficient to comply with this provision.
 - F. "Public Agency" shall be defined in compliance with Government Code Section 56070. The definition of public agency does not include a private or mutual water company. Any contract by a city or district to extend service to these types of service companies would require approval from the Commission prior to contract execution.
 - G. "Health and safety concern" shall mean the extension of service to alleviate an immediate health and/or safety problem. Such connections would be limited to the provision of water and/or sewer service to an existing structure, the connection to a failing mutual or private water system requiring auxiliary service, and other similar threats related to health and safety.
- 2. The Commission has determined that the Executive Officer shall have the authority to approve, or conditionally approve, proposals to extend services outside jurisdictional boundaries in cases where the service extension is proposed to remedy a health and safety concern. In addition, the Executive Officer shall have the authority to approve or conditionally approve service extensions where the services in question will not facilitate development. In cases where the Executive Officer recommends denial of a proposed service extension, that proposal shall be placed on the next agenda for which notice can be provided. After the public hearing, the Commission may approve, conditionally approve, or deny the contract.
 - 3. A proposal by a city or district to provide new or extended services outside the agency's boundaries and outside the agency's sphere of influence would come under the provisions of Government Code Section 56133.5, which will require Commission approval at a noticed public hearing prior to the signing of an agreement/contract for the provision of the service.
 - 4. In the case where a city or district authorized to provide water service has acquired the system of a private or mutual water company prior to the enactment of this legislation, those agencies shall be authorized to continue such service and provide additional connections within the service area of the private or mutual water company defined by the Public Utilities Commission or other appropriate agency, at the time of acquisition without LAFCO review or approval as outlined in Government Code Section 56133. The continuation of service connections under this policy shall not be constrained by the sphere of influence of that local agency provided that the area to be served is within the service area of the private or mutual water company previously defined by the PUC or other appropriate agency.

Proposals to extend service outside this previously defined area and outside the sphere of influence of the agency providing service would come under the provisions of Government Code Section 56133.5, which will require Commission approval at a noticed public hearing prior to the signing of an agreement/contract for the provision of the service.

5. For a request for exemption pursuant to Government Code Section 56133(e), the Commission shall make the determination that the service(s) to be provided is/are exempt from LAFCO review. The Commission has, in cases where the service extension proposed does not facilitate development or directly affect employees, delegated the authority to make the determination for exemption pursuant to Government Code Section 56133(e) to the Executive Officer.

APPLICATION PROCEDURES FOR GOVERNMENT CODE SECTIONS 56133 and 56133.5:

Unlike the normal initiation process for proposals for jurisdictional change, Government Code Section 56133 provides that only a city or district may request LAFCO review of an out-of-agency service agreement/contract.

Government Code Section 56133 gives LAFCO the authority to review and approve, approve with conditions, or deny an out-of-agency service agreement/contract. For all development-related applications for service, the item will be considered by the Commission at a noticed public hearing. The authority for action for a non-development-related agreement/contract has been delegated to the LAFCO Executive Officer by the Commission, pursuant to policies adopted on December 20, 2000.

In addition, the pilot program for Napa and San Bernardino LAFCOs pursuant to Government Code Section 56133.5, which authorizes a city or district to extend services outside an agency's boundaries and outside its sphere of influence, will also be subject to Commission approval at a noticed public hearing.

1. Application for Review:

The filing requirements for review of an out-of-agency service contract/agreement shall consist of:

- A. Official Request from Applying Agency. A written request signed by the City Manager/District General Manager requesting approval for an out-of-agency service agreement/contract or an adopted resolution from the city/district proposing to serve outside its boundaries must be submitted.
- B. Payment of Appropriate Filing Fees. The applying agency must submit as part of the application the appropriate filing fees as outlined in the LAFCO

Schedule of Fees, Deposits, and Charges in effect at the time of application. In addition, these types of applications are also subject to the following deposits: legal counsel, environmental review, and individual notice. Applicants shall be required to reimburse the Commission for all charges and costs in excess of the deposits outlined above or will be refunded the balance at the close of the application.

- C. A completed application form including the submission of a copy of the proposed agreement/contract that has been signed by the property owner(s) and, if necessary, the agency providing service(s), and maps showing the location of the property to be served, existing agency boundaries, the location of the existing infrastructure, and the proposed location of the infrastructure to be extended.
- D. Any other information deemed appropriate by the Executive Officer in order to review the service extension request based upon its special circumstances.

2. Environmental Review Requirements:

The review of an out-of-agency service agreement/contract is subject to environmental review procedures as outlined in Section V of this Manual.

REVIEW PROCEDURES FOR GOVERNMENT CODE SECTIONS 56133 and 56133.5:

- 1. A development-related agreement/contract associated with the development of a tract, a subdivision, a single-family dwelling unit, a commercial/industrial development and other types of development-related projects or a proposal to provide new or extended services outside an agency's boundaries and outside its sphere of influence will require the following review:
 - A. The city or district proposing to provide service(s) outside its boundaries shall submit to LAFCO a completed application, with all its component parts as previously defined, for review and consideration. Within 30 days, the LAFCO Executive Officer shall notify the entity whether or not the application filing is complete. If incomplete, the applying agency will be notified of the specific insufficiencies within 30 days, as required by law.
 - B. The LAFCO staff shall forward a copy of the application to various County departments for their review and comment.
 - C. Completion of the CEQA review process will be required prior to placement on the Commission's agenda.


- D. If necessary, a meeting with the applying agency and/or the various County departments may be held dependent upon the circumstances and/or issues related to the service agreement/contract. The determination of whether or not to hold the meeting shall be made by the LAFCO Executive Officer.
 - E. Once these required elements have been completed, the item will be placed on a Commission Agenda. Surrounding property owners/registered voters will be notified of the proposed service extension request through individual notification. At a noticed public hearing, the Commission will consider the staff's presentation and presentations, if any, by interested and affected parties, and make a determination.
 - F. The Commission has the authority to approve, approve with conditions, or deny the request for authorization of an out-of-agency service agreement/contract. The Commission's determination and any required findings will be set out in a resolution which specifies the property or area to be served, the services to be provided, and the authority of the agency to provide its services outside its boundaries.
2. A non-development related agreement/contract (Administrative Review by LAFCO Executive Officer) to provide service(s) to an existing dwelling unit, a commercial building, a contract between public agencies for fire protection mutual or automatic aid, an agreement/contract where the services will not facilitate development, etc. will be processed as follows:
- A. Prior to the execution of an agreement/contract for service outside their boundaries, the city/district proposing to provide the service shall submit to LAFCO a completed application, with all its component parts as previously defined, for review and consideration.
 - B. Completion of the CEQA review process will be required prior to action by the Executive Officer.
 - C. The Executive Officer's administrative review will include the following determinations:
 - (1) The proposed service extension is either nondevelopment-related and/or involves health and safety concerns as defined by Commission policy.
 - (2) The area to be served is within the sphere of influence of the agency requesting to provide service outside its boundaries.

(3) The environmental analysis/assessment, as required by CEQA, has been completed.

D. The Executive officer can approve, approve with conditions, or deny the request for service extension. If the Executive Officer's recommendation is denial, that determination will be placed on the next available Commission agenda for which notice can be provided for discussion of the determination.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West Third Street, Unit 150, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: MARCH 10, 2021 
FROM: SAMUEL MARTINEZ, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #18: EXECUTIVE OFFICER'S REPORT

REMINDER:

The Commission will be dark in April. Please note that the next Commission meeting will be on May 19, 2021.

PROPOSAL UPDATES:

- LAFCO 3243 - LAFCO staff will be conducting the Protest Hearing for LAFCO 3243 on March 25, 2021.
- LAFCO 3244 – LAFCO staff will be conducting the Protest Hearing for LAFCO 3244 on March 31, 2021.
- LAFCO 3249 – LAFCO recently received an application from the Bighorn-Desert View Water Agency to annex approximately 20 acres into the district. The Notice of Filing for this proposal will be circulated for review and comment next week.

OTHER NEWS:

- The 2020 CKH Guide Update is now available, and can be accessed from the link below:

http://www.sbcounty.gov/uploads/LAFCO/Publications/CKH_2021.pdf

- Enclosed is the CALAFCO 2020 Annual Report, which contains messages from CALAFCO's Executive Director and its Chair. The report includes a financial summary of CALAFCO's revenue and expenditures. It also highlights some of the Association's work.

[Enclosure](#)

CALIFORNIA ASSOCIATION OF LOCAL AGENCY FORMATION COMMISSIONS



CALAFCO MISSION

Provide educational, information sharing and technical support for our members by serving as a resource for, and by collaborating with, the public, the legislative and executive branches of state government and other organizations for the purpose of discouraging urban sprawl, preserving open-space and prime agricultural lands, and encouraging orderly growth and development of local agencies.

2020 ANNUAL REPORT

California Association of Local Agency Formation Commissions

Email: info@calafco.org

Website: www.calafco.org

1020 12th Street, Ste. 222

Sacramento, CA 95814

Tel: 916-442-6536





FROM THE CALAFCO EXECUTIVE DIRECTOR

For just about all of us, 2020 was quite a challenge. During the year, the California Association of Local Agency Formation Commissions (CALAFCO) dedicated itself to meet the new and evolving needs of our members. As they reinvented the way they work and deliver services, so did we.

Although we were unable to gather in person in March for our annual Staff Workshop or in October for our Annual Conference, we stayed connected with virtual meetings and virtual educational events. We learned from each other as we supported one another through a historic time. CALAFCO stood in support of our member LAFcos by shifting the way we provide supportive services and adjusted priorities to meet their changing needs.

2020 will be remembered as the year we would all like to forget. But doing so means we also forget the many things we learned - about ourselves as strong, capable, and resilient beings, and about the power of collective support, collaborative and innovative problem solving, and about our ability to generate hope for systemic and sustainable change.

Without missing a beat, LAFcos throughout the state continued to provide the necessary leadership in fulfilling their missions, and in supporting their respective local agencies and the communities they serve. I would like to take this opportunity to thank all of our member LAFcos for their dedicated, focused and steadfast commitment to the work they do and the people they serve.

I also want to thank the CALAFCO regional staff for their support and contributions to the Association. A special thank you to our Associate member partners for their generous support of CALAFCO. Last but certainly not least, I want to express my gratitude to the CALAFCO Board of Directors, all of whom worked tirelessly throughout the year in support of the ideals and mission of CALAFCO and all LAFcos. Through their leadership, vision and tenacity, the Association met the challenges of the year.

I'm proud to represent the Association and all 58 LAFcos as well as our Associate Members, and present the 2020 Annual Report, which highlights the collective work of the past year and many of the achievements we realized. We hope you enjoy this new format of the Annual Report. I look forward to what we can accomplish together in 2021.

A handwritten signature in blue ink, reading "Pamela Miller".

Pamela Miller
Executive Director
CA Association of Local Agency Formation Commissions



FROM THE 2019-2020 CALAFCO CHAIR OF THE BOARD

We are living in interesting times!

Every time I think it can't get worse; it does. At the time I wrote this article, we were plagued by record heat and fires. Often past chairs have written something like, "...it was a challenging but rewarding year". I will say it was a challenging year; I don't think I can call it rewarding, but I have been proud to see how CALAFCO rose to the challenge and pivoted to address the impacts thrown on us by this pandemic. We moved to virtual meetings, made Zoom available to our member LAFcos, held regular meetings with our member LAFco Executive Officers/Clerks and made a series of virtual CALAFCO U classes and on demand webinars available free to our members; we continue to focus on "value added" to our members. Much of the credit for this, and its success, is due to efforts by our Executive Director, Pamela Miller, who we were fortunate to retain, as an employee, after she announced her retirement; we are indebted to her. Of course many others pitched in to make this possible and the CALAFCO Board provided needed support.

We were forced to cancel our Annual Conference. Many LAFcos were directly impacted as were many government agencies. Many have died, the economy was rocked and many individuals struggle to meet basic needs; essential workers continue to provide service and others are forced to work out of economic necessity-risking their, and their family, health and lives.

My father, the youngest of four, was born in 1927. As I grew up, his parents from time to time, talked about the influenza pandemic of 1918. I used to find those stories surreal; people confined to their homes, a red notice nailed to the door and many deaths. My grandparents not only endured this pandemic but, in their lifetime, faced WWI, the Great Depression and WWII. Much of this is now delegated to "just history". My grandparents came thru it and someday 2020 will also be delegated to history.

I'm proud that CALAFCO more than survived this challenge. Our dues change let us avoid a structural deficit and a loss for the year even with the cancellation of the Annual Conference. Our prudent reserves may allow us to cover unexpected costs, especially legal costs as we navigated AB 5, converting Pamela and Jeni to employees.

We continue to proudly serve our member LAFcos and remain a viable and respected voice in Sacramento.
Thanks to all of you.

A handwritten signature in blue ink, appearing to read "Michael R. McGill".

Michael R. McGill, P.E.
Chair of the Board, 2019-2020
CA Association of Local Agency Formation Commissions

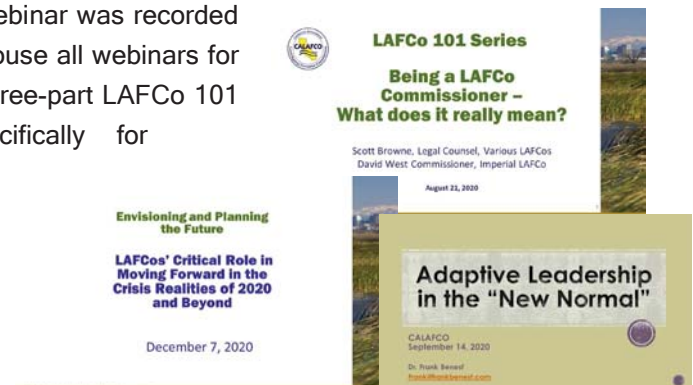
CALAFCO 2020 Annual Report

In 2019, CALAFCO began a two-year strategic plan to define the Association's priorities and guide the work. There were three main strategic areas each with actionable goals for each of the two years. This report highlights the achievements of the work in 2020 towards those goals.

1. Serve as an educational resource to member LAFCo Commissioners, LAFCo staff, Associate Members, and stakeholders.
2. Focus efforts on Association member development and communication.
3. Serve as an information resource to all Association members, work as a legislative and policy advocate for LAFCo issues and provide information to the Legislature and other stakeholders.

1. Serve as an educational resource

Given the COVID-19 pandemic, in-person training and educational opportunities were impossible from mid-March through the end of 2020. This meant the cancellation of our annual Staff Workshop and Annual Conference. However, in early summer, CALAFCO staff began looking at how to deliver short educational sessions virtually - something CALAFCO had never done before. From August through December, six webinars were successfully delivered at no cost to our members. Additionally, each webinar was recorded and a new section created on the CALAFCO website to house all webinars for member on-demand viewing. Webinar topics included a three-part LAFCo 101 series (including a newly designed session specifically for Clerks/Analysts and another for LAFCo Commissioners), adaptive leadership, and two sessions on LAFCos role in this "new/now normal" world of ours. In total, 274 LAFCo staff, commissioners and Associate Members attended these free educational offerings.



Early in January CALAFCO hosted a CALAFCO University session in Orange County focusing on legacy costs associated with reorganizations.

We are proud to continue to offer our members AICP credits when applicable for any educational session we host.

CALAFCO remains a coaching partner with Cal-ICMA and through this partnership all of our members receive free access to professional development webinars, one-to-one coaching and other professional development resources.



CALAFCO 2020 Annual Report

2. Focus efforts on Association member development and communication

In response to our members, CALAFCO developed a short series of News Bulletins and distributed them to the membership during the first three months of the State's shutdown. The Bulletins advised members of the latest Executive Orders and other noteworthy news items that impacted LAFcos and other local agencies.

Beginning mid-March, we hosted weekly meetings for LAFCo Executive Officers and another for LAFCo Clerks to allow for collaboration and information sharing. These meetings transitioned to virtual meetings and continue as monthly meetings into 2021, with as many as 32 Executive Officers attending the monthly meeting.

Knowing many of our members struggled to find effective ways for their Commissions to meet while maintaining transparency and public participation, CALAFCO purchased two Zoom licenses and provided the use of one of those licenses to our member LAFcos, along with our toll-free conference calling system, at no cost, as a way for our members to continue conducting business transparently.

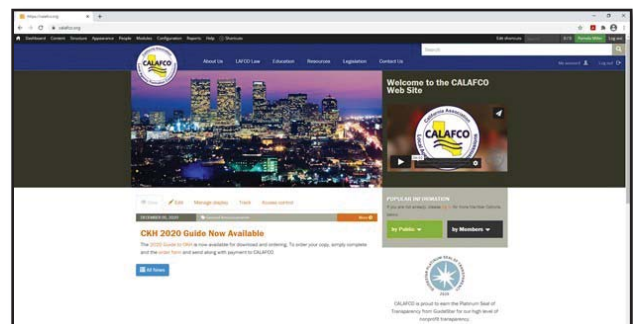


The events of 2020 were uncharted territory for many, and the fiscal aftermath will long be felt by all local agencies across the state. CALAFCO recognized this as a unique time for LAFcos to champion the support of local agencies and help rebuild communities. In partnership with several Executive officers and one of our Associate Member partners, CALAFCO created a series of messaging materials to assist our member LAFcos in their facilitation of local discussions on the

revitalization of their respective communities. These resources were introduced and distributed in December.

In addition to our normal communication tools of Quarterly Reports and list serves, we also hosted virtual regional roundtables in December for our member LAFcos (as a replacement for our in-person roundtables at the Annual Conference) as well as a LAFCo Legal Counsel roundtable in October. With so many of our members meeting virtually, our Executive Director was able to attend sixteen (16) different LAFCo meetings the second half of the year.

In response to the membership survey in 2019, CALAFCO staff spent time this year updating several of the most frequently used sections of the CALAFCO website. In addition to the creation of the new webinar archive, the CALAFCO University archives was updated, along with several sections within the LAFCo Law section. Other sections were completely reorganized and updated for easier member access to resource information and materials. CALAFCO is proud to continue earning the GuideStar Platinum Seal of Transparency for high level of nonprofit transparency.



CALAFCO 2020 Annual Report

3. Serve as an information resource and legislative and policy advocate

In addition to the work of enhancing the CALAFCO website as an informational resource, CALAFCO continued to participate in the Department of Water Resources' County Drought Advisory Group and lead the efforts of the 18-member Protest Provisions Stakeholder Working Group (Working Group).

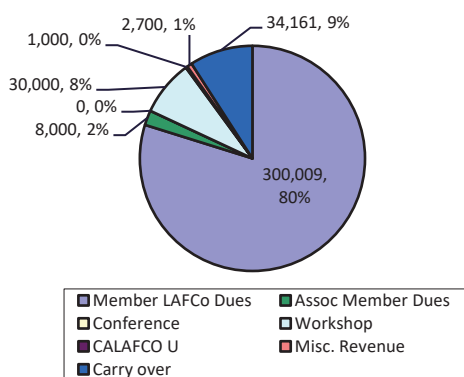
The 2020 legislative year turned out to be unlike any other and the pandemic turned legislation inside-out. The focus of the Legislature quickly turned to COVID response as well as responding to a historic year of wildfires and calls for social and racial justice and equity. At the direction of the CALAFCO Board, we ended our efforts to obtain state-level grant funding for LAFcos through sponsored legislation and did not sponsor an Omnibus bill in 2020. Instead, the Board made the proposal to make changes to statute pertaining to extension of services the legislative priority, along with the ongoing efforts of the Working Group. After seeking feedback and consensus from Executive Officers as directed by the Board, in late January the Executive Committee approved moving forward with seeking legislation. Given the late timing, the Association was unsuccessful in securing an author. As a result, CALAFCO did not sponsor any bills in 2020. It is uncertain if any bills (other than Omnibus) would have successfully passed through the Legislature given the shift in their focus mid-year. CALAFCO continued to support our membership through legislative action where appropriate and fiercely guarded LAFco authority when necessary, tracking 32 bills and taking positions on 7 bills.

Other 2020 highlights

There were several other highlights in 2020 that were not part of the two-year strategic plan. First, we successfully transitioned our two primary part-time contractors (Executive Director and Administrator) to part-time employees effective September 1 in compliance with AB 5. Additionally, for the first time, CALAFCO conducted a virtual election for the Board of Directors.

CALAFCO Financials 2020

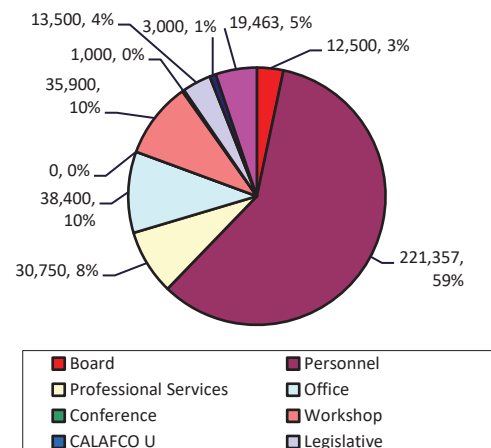
FY 2020-21 REVENUE BY CATEGORY AND % OF TOTAL BUDGET



In July, the Board of Directors adopted a revised budget without any Conference revenue/expenses, with new estimated employer costs and the retention of the Executive Director. The lack of the planned 15% Conference net profit created a structural deficit that can be covered by the net balance carryover into FY 2020-21, which ended up

larger than expected at the end of FY 2019-20 due to cost savings in other budget areas. By the end of 2020 it appeared savings into FY 2020-21 was continuing in many areas that will help the Association's financial outlook going into another uncertain fiscal year.

FY 2020-21 EXPENSES BY CATEGORY AND % OF TOTAL BUDGET



CALAFCO 2020 Annual Report

Looking ahead to 2021

Our LAFcos are strong and resilient and led with remarkable courage during 2020. CALAFCO remains committed to continue building a resilient and sustainable Association that supports our members in their work. To focus resources on our members' highest priorities in 2021, the CALAFCO Board of Directors' biennial strategic planning workshop in January will create the foundation for the Association's next two-year strategic plan. As we move into our 50th year, CALAFCO remains committed to:

- **Serve as an educational resource to member LAFCo Commissioners, LAFCo staff, Associate Members, and stakeholders.**
- **Focus efforts on Association member relations, development, recognition and communication.**
- **Continue development of a strong and sustainable Association.**
- **Serve as an information resource to all Association members, work as a legislative and policy advocate for LAFCo issues and provide information to the Legislature and other stakeholders.**

CALAFCO 2019-2020 BOARD OF DIRECTORS AND STAFF

OFFICERS (Oct 2019 – Oct 2020)

CHAIR - *Michael McGill*, Contra Costa LAFCo, District Member (Coastal)

VICE CHAIR - *Michael Kelley*, Imperial LAFCo, County Member (Southern)

SECRETARY - *Anita Paque*, Calaveras LAFCo, Public Member (Central)

TREASURER - *Bill Connolly*, Butte LAFCo, County Member (Northern)

IMMEDIATE PAST CHAIR - *Josh Susman*, Nevada LAFCo, Public Member (Northern)

MEMBERS (Oct 2019 – Oct 2020)

Cheryl Brothers, Orange LAFCo, City Member (Southern)

David Couch, Humboldt LAFCo, City Member (Northern)

Shiva Frentzen, El Dorado LAFCo, County Member (Central)

Blake Inscore, Del Norte LAFCo, City Member (Northern)

Gay Jones, Sacramento LAFCo, District Member (Central)

Jo MacKenzie, San Diego LAFCo, District Member (Southern)

Margie Mohler, Napa LAFCo, City Member (Coastal)

Tom Murray, San Luis Obispo LAFCo, Public Member (Coastal)

Jane Parker, Monterey LAFCo, County Member (Coastal)

Daniel Parra, Fresno LAFCo, City Member (Central)

David West, Imperial LAFCo, Public Member (Southern)

STAFF

EXECUTIVE DIRECTOR - *Pamela Miller*

ADMINISTRATOR - *Jeni Tickler*

LEGAL COUNSEL - *Clark Alsop*, Best Best & Krieger

CPA - *James Gladfelter*, Alta Mesa Group

EXECUTIVE OFFICER - *Stephen Lucas*, Butte LAFCo (Northern)

DEPUTY EXECUTIVE OFFICERS - *Christine Crawford*, Yolo LAFCo (Central); *Martha Poyatos*, San Mateo LAFCo (Coastal); and *Gary Thompson*, Riverside LAFCo (Southern)

CALAFCO 2020 Annual Report

A SNAPSHOT LOOK AT 2020 by the numbers

MEMBERSHIP

58 Member LAFCos

26 Associate Members

4 Regions

16 Member Board of Directors

Over **750** Commissioners & Staff supported



EDUCATION

300 Total attendees

7 Events

6 Webinars

1 CALAFCO U

LEGISLATION

32 Bills monitored, tracked, engaged and positions taken



ADMINISTRATION

8 List serves with **286** subscribers

58,843 Webpage views(www.calafco.org)

Over **60** meetings hosted for Member LAFCos

2 P/T Staff + **2** P/T Consultants + **4** Regional Staff