

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

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DATE: MAY 10, 2005

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8 – LAFCO 2945 -- Service Review and Sphere Of Influence Update for County Service Area SL-1

INITIATED BY:

San Bernardino Local Agency Formation Commission

RECOMMENDATION:

1. Determine that LAFCO 2945 is statutorily exempt from environmental review and direct the Clerk to file a Notice of Exemption within five days;
2. Make findings related to a service review required by Government Code Section 56430 and determine that the sphere of influence for County Service Area SL-1 should be affirmed with the following recommendations:
 - a. The streetlights currently funded by CSA SL-1 outside its boundaries appropriately the responsibility of Cities, the Hesperia Recreation and Park District or other County-operated District shall be transferred by completion of the required forms through Southern California Edison;
 - b. The streetlights funded by the Cities of Rancho Cucamonga, Fontana, and Upland, appropriately the responsibility of CSA SL-1, shall be transferred to CSA SL-1 by completion of the required forms through Southern California Edison;
 - c. In order to address the transfer of streetlight responsibilities in any future LAFCO action annexing territory to a city or a special

district providing this service, the following process shall be followed by LAFCO:

- 1) The County Special Districts Department staff will be required to provide LAFCO with a completed transfer authorization form used at the time by Southern California Edison, including map location of light fixtures with light number and other relevant information. This information will be verified by LAFCO staff.
 - 2) A standard condition of approval is included in the Commission's resolution to the transfer of responsibility for the streetlights to the annexing entity. It is intended that this will include the forwarding of the verified transfer authorization form to the City and Southern California Edison.
- d. Request that the County Board of Supervisors, as the governing body of CSA SL-1, initiate the annexation of the balance of the District's sphere of influence in order to reconcile the District's boundary with areas that include or will include streetlights to be funded by this entity.
 - e. Request that the County Land Use Services Department and the County Special Districts Department adopt a process to assure that the appropriate streetlighting entity exists at the time that streetlight installation is required through the land use development process. Request that the process, policy, and/or condition of approval language be provided to the Commission for its information.
3. Adopt LAFCO Resolution #2877 setting forth the Commission's findings and determinations on this issue.

BACKGROUND INFORMATION:

This proposal was initiated by the Local Agency Formation Commission on January 15, 2003, in response to state mandates requiring service reviews and sphere of influence updates for all cities and special districts on a rotating five-year schedule. The hearing on this service review/sphere of influence update was initially advertised for consideration at the November 17, 2004 hearing and has been continued several times to allow for completion of detailed service information regarding the location of the streetlights funded by this agency.

At the outset of this review process, staff believed that the service review/sphere of influence update for County Service Area SL-1 (hereinafter CSA SL-1) would be a routine, non-controversial consideration of a service review and sphere of influence update. While staff believes that the proposal remains non-controversial, it is not routine. This service review has required information to be generated, reviewed and verified by the staffs of Southern California Edison, County Special Districts and LAFCO.

The attachments to this staff report include: #1 -- maps which identify the location, boundaries and the sphere of influence for CSA SL-1; #2 -- an outline of what a County Service Area is, what services it can perform and its general government structure; #3 -- District Summary Profile Sheet for CSA SL-1 and the response provided by the County Special Districts Department to the LAFCO survey of the factors required by Government Code Section 56430 for a service review; and #4 – a memorandum to Norm Kanold, Assistant County Administrator, outlining the results of the review of CSA SL-1.

HISTORY OF CSA SL-1:

In order to proceed with the service review/sphere of influence update for CSA SL-1, a brief history of this District is in order. CSA SL-1 was originally formed in 1965 through a consolidation of existing County Service Areas providing streetlighting services identified as follows:

- County Service Area No. 3 (community of Highland)
- County Service Area No. 10 (west Colton)
- County Service Area No. 11 (east San Bernardino)
- County Service Area No. 13 (Bryn Mawr)
- County Service Area No. 21 (north, east, and south Fontana)
- County Service Area No. 23 (west Highland)
- County Service Area No. 32 (Cucamonga)
- County Service Area No. 33 (County line/Riverside Avenue area in Chino)
- County Service Area No. 39 (east Baseline area)
- County Service Area No. 41 (Highland area)

The intent of the consolidation was to provide for a more efficient and economic administration to provide streetlighting services within the Valley area of the County. At that time there was an agreed upon policy by the County and LAFCO that developing tracts within the Valley unincorporated area would be annexed to the District to provide for uniformity in service. Over the next twenty years, this policy was complied with and additional agencies were consolidated with CSA SL-1 to provide a single agency providing streetlighting

services. However, as areas were annexed to the various cities, they were automatically detached from County Service Area SL-1 resulting in what was quoted in the District's original sphere of influence establishment as a "hodge podge of islands, peninsulas, and large land areas based on the creation of subdivisions".

In 1987, the policy of requiring newly-developed tracts to annex was discontinued by the County, on the basis of the understanding of the County Departments at that time that the boundaries of CSA SL-1 included the whole of the Valley unincorporated area. No challenge to this perception was made as a consolidated map showing CSA SL-1 boundaries did not exist at that time. Detachments to this agency, however, continued as areas within its jurisdiction were annexed to Cities.

During 2000-2001, consideration by the County Special Districts Department of a possible streetlighting reorganization was begun to deal with the mounting budget shortfalls within CSA SL-1 and other streetlighting entities under the County's jurisdiction. No official action was taken in reference to a possible reorganization, but mapping of the boundaries of CSA SL-1 was accomplished and has been used in the present service review/sphere update.

SERVICE REVIEW:

When the Commission initiated its service reviews/sphere of influence updates for the East Valley, it included CSA SL-1. The standard request for information was submitted to the County Special Districts Department outlining the survey questions to be responded to and requesting a map of the District's boundaries. The materials submitted included a map (a copy is included in Attachment #1) which outlined the location of CSA SL-1 on the basis of Tax Rate Areas identified as being within the District by the County Assessor's Office and State Board of Equalization.

LAFCO staff was surprised by the map presented for CSA SL-1 as this agency was understood to overlay the whole of the unincorporated area of the Valley. LAFCO staff then met with the staff of the County Special Districts Department to discuss the service review and sphere update and to outline that the first priority for the review was to determine and verify the location of the streetlights funded by the proceeds of the District based upon the mapping of its boundaries. The concern was based on the exclusion of areas within the Valley with high development rates, such as the majority of the Mentone community and the West Fontana areas. In order to verify the location of the lights paid for CSA SL-1, the assistance of Southern California Edison and GIMS staff was requested and received. Over a period of several months, a

review of account numbers by Special Districts, Edison and LAFCO staff was accomplished, mapping identification of light locations was prepared by Edison, and a comparison of those boundaries with light locations was completed through coordination of Special Districts, Edison and LAFCO staffs.

This review has provided the following data: There are currently 4,339 lights paid for by CSA SL-1. Of those lights there are currently 717 lights paid for by CSA SL-1 which are not within its boundaries. The following table identifies these lights, the appropriate entity responsible for them, and the electricity charge for their operation during the period 3/04 through 3/05:

ENTITY	NUMBER OF LIGHTS	ENERGY COST BILLED TO CSA SL-1
BARSTOW	1	\$92.00
CHINO	2	\$274.00
CHINO HILLS	44	\$4,399.00
COLTON	3	\$289.00
FONTANA	68	\$6,927.00
HESPERIA (belongs to Hesperia Recreation and Park District)	3	\$315.00
HIGHLAND	1	\$105.00
LOMA LINDA	9	\$955.00
MONTCLAIR	4	\$436.00
RANCHO CUCAMONGA	106	\$9,757.00
REDLANDS	24	\$2,425.00
RIALTO	30	\$2,929.00
SAN BERNARDINO	92	\$9,524.00
UPLAND	2	\$184.00
YUCAIPA	37	\$3,794.00
RIVERSIDE COUNTY	1	\$105.00
CSA 70 R-41	15	\$1,703.00
CSA 70 EV-1	17	\$1,590.00
KAISER CENTER (West Fontana Area)	59	\$6,237.00
SL-2	14	\$1,340.00
ALL OTHER AREAS (Includes Devore, Bloomington, Mentone, etc.)	185	\$19,311.00
TOTAL	717	\$72,691.00

In addition, this review determined that there were a number of lights appropriately the responsibility of CSA SL-1 that were paid for by others. The following table outlines those:

ENTITY	NUMBER	ENERGY COST
OTHER ENTITIES PAYING FOR CSA SL-1	16	\$1,703.00
FONTANA	41	\$4,140.00
RANCHO CUCAMONGA	7	\$731.00
UPLAND	1	\$105.00
TOTAL	65	\$6,679.00

Letters have been forwarded to the affected Cities and the Hesperia Recreation and Park District discussing the need for the appropriate SCE paperwork to be processed to transfer this responsibility. County Special Districts staff has indicated that they have or will process transfers from CSA 70 R-41, CSA 70 EV-1, and CSA 70 SL-2 to refund the costs of these lights (estimated at \$4,633) as well as transfer the billing to their respective separate accounts.

This leaves a determination as to how to reconcile the responsibility for the lights outside the boundaries of CSA SL-1, totaling 244 lights at a cost of \$25,548 from March 2004 to March 2005. There is no other entity available to assume responsibility for these areas, such as the “Kaiser Center” in West Fontana and the communities of Mentone, Devore and portions of Bloomington. Staff has reviewed the options with County staff, which included such items as turning off the 244 lights, developing an improvement zone for each area, or the annexation of the sphere of influence of CSA SL-1 to reconcile the boundary.

Of these options, LAFCO staff is recommending that the Commission request that the County initiate the annexation of CSA SL-1’s sphere of influence within the Valley area. In addition, a discussion of the need to provide for a transfer of property tax revenues to CSA SL-1 during this process was reviewed. Under existing County policy, for those areas being annexed to CSA SL-1, there would be no transfer of property tax revenues since there is no detaching streetlighting entity. During the discussions with County staff, LAFCO staff noted that this is a unique situation requiring a unique solution from a health and safety perspective and suggesting that in this instance the County consider the transfer of a share of the ad valorem tax to CSA SL-1. Such a policy change would require that Special Districts staff estimate the existing shortfall, translate that into a percentage share of the revenue from the annexing area and that the County Board of Supervisors adopt a resolution

agreeing to the exchange of the identified revenue. To date, no official response from the County has been received to this suggestion.

Staff's concern is that absent a jurisdictional change to include these areas within the boundaries of CSA SL-1, the County would need to either create individual improvement zones for the areas and transfer responsibility of the affected lights, along with requesting either a special tax or assessment or a transfer of revenues from the County General Fund to fund the service, or turn off the lights as CSA SL-1 has no jurisdiction to expend its revenues outside its boundaries. Staff believes that the approach outlined to annex the balance of the sphere of influence to CSA SL-1 and provide a share of the ad valorem property tax will resolve the governance issue and can address the ongoing financing of this service within the Valley.

CSA SL-1 has two areas of responsibility outside the Valley area; streetlights in the Lenwood community in the City of Barstow sphere of influence and an approximate one-half mile area of mountain highway near the south shore of Lake Arrowhead. Special Districts and LAFCO staff have discussed these two areas, outside the existing sphere of influence of the District, and determined that the Barstow area should be addressed as a part of the North County service review/sphere of influence updates on the basis that a transfer of responsibility should take place and the appropriate changes should be considered as a part of the Barstow community of special districts; and the mountain area should be considered as a part of the Mountain service reviews/sphere of influence updates to be considered in the future.

FINDINGS AND DETERMINATIONS:

CSA SL-1 is a Board-governed special district formed under the provisions of County Service Area Law, Government Code Sections 25210.1 through 25211.33. The report prepared by the County Special Districts staff is included as a part of Attachment #3 and identifies that this agency is only authorized and only provides streetlighting services. A summary of the major points of consideration within the response provided by the County is outlined as follows:

1. Infrastructure Needs and Deficiencies – The District requires that developers of new tracts provide payment of an estimated three (3) years of energy costs prior to the initial powering of the lights. Future costs are then funded by the property tax revenues generated within the District following exhaustion of these funds. With the transfer of responsibility of lights not appropriately paid by CSA SL-1, the District will receive a reduction in costs of \$40,464. There are no master plans

for the provision of services by this District; however, new streetlights are required according to policies adopted by the County Board of Supervisors within the County General Plan Improvement Level Standards (a copy of the Improvement Standards is included as Attachment #5).

2. Financial Constraints and Opportunities – The District has had financial problems in the past due to sky-rocketing energy costs resulting in a negative fund balance in FY 2001-02. However, it appears that the escalating property tax values within the County and the stabilization of energy costs are allowing for a more stabilized financial picture for the District. With the transfer of responsibility for the lights not within the boundaries of CSA SL-1 and the potential repayment of funds by the Cities, etc., a brighter financial picture is emerging for the District. As identified in the materials provided, the annual property tax revenues are budgeted at \$527,802 for Fiscal Year 2004-05, a carryover of \$245,648, and estimated expenditures of \$772,650.
3. Cost Avoidance Opportunities and Shared Facilities Opportunities – The District is the primary agency in the Valley responsible for streetlighting services in the unincorporated area. There is no opportunity for joint agency practices identified in the response.
4. Government Structure Options – The District was formed in 1965 through a consolidation of a number of county service areas providing streetlighting services. The retention of CSA SL-1 as the streetlighting entity for the Valley unincorporated area of the County has been shown to be an effective solution to the needs for coordination of this service. However, the recommendation is that reorganization be undertaken by the County to address jurisdictional responsibilities, the transfer of lights not within the boundaries of CSA SL-1 to the Cities and/or Districts appropriately responsible and to address funding shortfalls.
5. Local Accountability and Governance – The District is governed by the County Board of Supervisors, it has no advisory commission, and typically only has two meetings a year to adopt its proposed and final budget. The recipients of its services are not generally aware of its existence.
6. When Special Districts were seated on the San Bernardino LAFCO in 1976, the listing of services and functions was prepared, as required by law, acknowledging the services actively provided by the special districts

at that time. Through this process, CSA SL-1 is currently authorized the active service and function as follows:

SERVICE	FUNCTIONS
Streetlighting	Streetlighting

Latent powers are those powers authorized to a special district through its principal act, but which are not being actively provided. According to CSA SL-1's principal act, the County Service Area Law (Government Code Section 25210.10 et seq.), the latent powers of the District include, but are not limited to, the following:

SERVICE	FUNCTIONS
Fire Protection	All functions of a Fire Protection District (except it cannot perform the function within an existing agency with fire protection services)
Extended Police Protection	
Television Translator	Facilities and services with certain limitations
Flood or Inundation Protection Services	Special provisions applicable to San Bernardino County only – allows for the construction of dam facilities to protect the public health and safety
Open Space and Habitat Preservation Services	Special provisions applicable to San Bernardino County only
Miscellaneous Extended Services	Any other governmental service that the County is authorized by law to perform and which it does not also perform to the same extent on a county-wide basis both within and outside City boundaries. Examples include, but are not limited to, water service, sewer service, ambulance service, street and highway lighting.

At this time none of the adjacent or overlaying agencies have identified any concerns with the existing sphere of influence for CSA SL-1.

7. As the CEQA lead agency, the Commission's Environmental Consultant, Tom Dodson and Associates, has reviewed the service review/sphere of

influence update for CSA SL-1 and recommended that this application is statutorily exempt from environmental review. A copy of Mr. Dodson's response is included as Attachment #6 to this report. It is recommended that the Commission determine that the proposal is statutorily exempt from environmental review under Section 15061(b) (3) of CEQA and direct the Clerk to file a Notice of Exemption within five days.

CONCLUSION:

Based on the information outlined above and the response provided by the County Special Districts Department, staff recommends that the Commission uphold and affirm the sphere of influence for the District. In addition, staff is recommending a number of actions to address the boundary confusion that has resulted for this District. In staff's view, these recommendations will result in the designation of a Valley county service area designed to provide the service of streetlighting in compliance with County adopted policies and standards for land development at the urban intensity anticipated for the Valley. In keeping with this view, staff recommends that the Commission adopt Resolution #2877 setting forth written responses to the statutory factors related to service reviews and sphere of influence studies and providing direction to LAFCO staff to work with the County to effectuate the changes identified in this report.

KRM/

Attachments:

1. Maps of the Existing Sphere of Influence for County Service Area SL-1
2. Outline of County Service Areas
3. Summary District Profile Sheet and Survey Response from the County Office of Special Districts
4. Memo to Norm Kanold, Assistant County Administrator, Regarding County Service Area SL-1
5. County of San Bernardino Improvement Standards from the County General Plan
6. Response from Tom Dodson and Associates
7. Draft Resolution #2877