



Local Agency Formation Commission
for the **County of Los Angeles**

Commission

Jerry Gladbach
Chair

Donald Dear
1st Vice-Chair

Gerard McCallum
2nd Vice-Chair

Kathryn Barger
Richard Close
Margaret Finlay
John Mirisch
David Ryu
Hilda Solis

Alternate Members

Lori Brogin-Falley
Sheila Kuehl
David Lesser
Judith Mitchell
Joseph Ruzicka
Vacant
(City of Los Angeles)

Staff

Paul Novak
Executive Officer

Adriana Romo
Deputy Executive Officer

Amber De La Torre
Doug Dorado
Adriana Flores
Michael Henderson
Alisha O'Brien

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www.lalafco.org

**LOCAL AGENCY FORMATION COMMISSION
MEETING AGENDA**

Wednesday, January 08, 2020
9:00 a.m.

Room 381-B

Kenneth Hahn Hall of Administration
500 West Temple Street, Los Angeles 90012

Entrance to the Commission Meetings requires entry through security screening at any of the public entrances to the KHHOA:

- 500 West Temple Street (third floor of KHHOA)
- 225 N. Hill Street (first floor of KHHOA)
- 222 N. Grand Avenue (fourth floor of KHHOA)
- Civic Mall/ Grand Park, between KHHOA and the Civil Court Building (second floor of the KHHOA)

Entrance through any other exterior door of the KHHOA is prohibited (all other entrances are locked) due to County of Los Angeles security restrictions.

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The entire agenda package and any meeting related writings or documents provided to a majority of the Commissioners after distribution of the agenda package, unless exempt from disclosure pursuant to California Law, are available at the LAFCO office and at www.lalafco.org.

1. **CALL MEETING TO ORDER**
2. **PLEDGE OF ALLEGIANCE WILL BE LED BY CHAIR GLADBACH**
3. **DISCLOSURE OF CAMPAIGN CONTRIBUTION(S)**
4. **SWEARING-IN OF SPEAKER(S)**

5. **INFORMATION ITEM(S) – GOVERNMENT CODE §56857 NOTICE**

None.

6. **CONSENT ITEM(S)**

All matters are approved by one motion unless held by a Commissioner or member(s) of the public for discussion or separate action.

- a. Approve Minutes of November 13, 2019.
- b. Approve Operating Account Check Register for the month of November 2019.
- c. Pending Proposal Update.

7. **PUBLIC HEARING(S)**

- a. Municipal Service Review and Sphere of Influence Update for the Wrightwood Community Services District (Los Angeles County portion), and California Environmental Quality Act (CEQA) exemption.

8. **PROTEST HEARING(S)**

None.

9. **OTHER ITEMS**

- a. Independent Auditor's Report for Fiscal Year 2018-2019.
- b. Fiscal Year 2019-20 Mid-Year Budget Report.
- c. Fiscal Year 2019-20 Mid-Year Investment Report.
- d. Procurement and Reporting Policy Annual Report for 2020.
- e. Proposed Change to the Rules of the Commission.

10. **LEGISLATION**

- a. Legislative Update.

11. **MISCELLANEOUS CORRESPONDENCE**

- a. Letter of December 2, 2019 from to the Commission from CALAFCO Executive Director Pamela Miller concerning CALAFCO Annual Conference.
- b. Letter of December 17, 2019 to Los Angeles City Council President Nury Martinez concerning Alternate Member vacancy.

12. **COMMISSIONERS' REPORT**

Commissioners' questions for staff, announcements of upcoming events and opportunity for Commissioners to briefly report on their LAFCO-related activities since last meeting.

13. EXECUTIVE OFFICER'S REPORT

Executive Officer's announcement of upcoming events and brief report on activities of the Executive Officer since the last meeting.

- a. Executive Officer Verbal Report.

14. PUBLIC COMMENT

This is the opportunity for members of the public to address the Commission on items not on the posted agenda, provided that the subject matter is within the jurisdiction of the Commission. Speakers are reminded of the three-minute time limitation.

15. FUTURE MEETINGS

February 12, 2020

March 11, 2020

April 08, 2020

16. FUTURE AGENDA ITEMS

Items not on the posted agenda which, if requested, will be referred to staff or placed on a future agenda for discussion and action by the Commission.

17. ADJOURNMENT



Local Agency Formation Commission
for the County of Los Angeles

 **DRAFT**

Commission

Jerry Gladbach
Chair

Donald Dear
1st Vice-Chair

Gerard McCallum
2nd Vice-Chair

Kathryn Barger
Richard Close
Margaret Finlay
Janice Hahn
John Mirisch
Greig Smith

Alternate Members

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Patricia Wood

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SPECIAL MEETING

MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION

FOR THE COUNTY OF LOS ANGELES

November 13, 2019

Present:

Jerry Gladbach, Chair

Kathryn Barger
Richard Close
Donald Dear
Janice Hahn
Gerard McCallum
John Mirisch
David Ryu

Lori Brogin-Falley, Alternate
Joe Ruzicka, Alternate

Paul Novak, Executive Officer
Lillian Salinger, Legal Counsel

Absent:

Margaret Finlay

Sheila Kuehl, Alternate
Judith Mitchell, Alternate

Vacant:

City of Los Angeles, Alternate Member
Alternate Public Member

1 CALL MEETING TO ORDER

The meeting was called to order at 9:00 a.m. in Room 374-A (Business License Commission) of the County Hall of Administration by Chair Jerry Gladbach.

2 PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Chair Jerry Gladbach.

3 DISCLOSURE OF CAMPAIGN CONTRIBUTION(S)

The Executive Officer (EO) read an announcement, asking that persons who made a campaign contribution of more than \$250 to any member of the Commission during the past twelve (12) months to rise and state for the record the Commissioner to whom such campaign contributions were made and the item of their involvement (None).

The EO read an announcement, asking if any Commissioner had received a campaign contribution that would require disclosure or any other issue requiring recusal from any item on today's agenda (None).

4 SWEARING-IN OF SPEAKER(S)

The EO swore in two (2) members of the audience who planned to testify.

5 INFORMATION ITEM(S) – GOVERNMENT CODE §§ 56751 & 56857 NOTICE

None.

6 CONSENT ITEM(S)

The Commission took the following actions under Consent Items:

- a. Approved Minutes of October 16, 2019.
- b. Approved Operating Account Check Register for the month of October 2019.
- c. Received and filed update on pending proposals.
- d. Adopted the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving and Ordering Annexation No. 2018-11 to the Los Angeles County Waterworks District No. 37, Acton; Resolution No. 2019-20RMD.

MOTION: Dear
AYES: Close, Dear, McCallum, Mirisch, Gladbach
NOES: None.

APPROVED: 5-0-0

ABSTAIN: None.

ABSENT: Finlay, Hahn, Ryu

[Commissioner Hahn arrived at 9:02 a.m.]

7 PUBLIC HEARING(S)

None.

8 PROTEST HEARING(S)

None.

Chair Gladbach indicated that Agenda Item 9.a. will be taken out of order.

9 OTHER ITEMS

The following item was called up for consideration:

- b. Recommendation to Award Contract to Consultant for the Consolidated Fire Protection District of Los Angeles County Municipal Service Review and Sphere of Influence Update.

Adriana Romo (Deputy Executive Officer) summarized the staff report concerning the Recommendation to Award Contract to Consultant for the Consolidated Fire Protection District of Los Angeles County Municipal Service Review and Sphere of Influence Update.

[Commissioner Barger arrived at 9:03 a.m.]

The Commission took the following actions:

- Selected RSG, Inc. to prepare the Consolidated Fire Protection Municipal Service Review and Sphere of Influence Update, as described in the Request for Proposal Scope of Services and the subsequent proposal “Municipal Service Review and Sphere of Influence Update of the Consolidated Fire Protection District of the County of Los Angeles” submittal date of October 30, 2019; and
- Authorized the Executive Officer to execute the professional services agreement with RSG, Inc. in an amount not to exceed \$108,565; with said agreement being approved as to form by LAFCO Counsel.

MOTION: Barger SECOND: McCallum APPROVED: 7-0-0
AYES: Barger, Close, Dear, Hahn, McCallum, Mirisch, Gladbach
NOES: None.

ABSTAIN: None.

ABSENT: Finlay, Ryu

9 OTHER ITEMS

The following item was called up for consideration:

c. Sativa Water System Status Report.

Adriana Romo (Deputy Executive Officer) summarized the staff report concerning status of the Sativa Water System.

Commissioner Barger asked what the current status of the infrastructure of the Sativa Water System is. Russ Bryden (Principal Engineer, Los Angeles County Department of Public Works) came before the Commission. Mr. Bryden stated that the County has made tremendous progress in addressing Sativa's infrastructure, referring to the water wells and underground pipes, but there is an "iceberg" of additional work underneath the surface. Mr. Bryden indicated that he is working with the State Water Resources Control Board to obtain grant funding for County projects to address the brown water and manganese issue, which has risen from one well, but there is an additional \$10 to \$15 million of work needed. A significant amount of piping within the Sativa's water system will need to be upgraded to wider diameter pipes which is beyond the scope of the County's role, and which will likely be performed by a future long-term operator.

Mr. Bryden indicated that the Los Angeles County Auditor-Controller completed a comprehensive audit of the former Sativa County Water District and found that there was a potential misuse of government funds. The audit was forwarded to the Los Angeles County District Attorney's Office and Mr. Bryden was not able to divulge any other details due to the involvement of law enforcement.

Commissioner Hahn thanked Mr. Bryden for his leadership and expertise in addressing the Sativa water system.

The Commission took the following action:

- Received and filed, the "Sativa Water System Quarterly Report ending September 2019" submitted by the County of Los Angeles Department of Public Works on September 19, 2019.

MOTION: Hahn

SECOND: Barger

APPROVED: 7-0-0

AYES: Barger, Close, Dear, Hahn, McCallum, Mirisch, Gladbach

NOES: None.

ABSTAIN: None.

ABSENT: Finlay, Ryu

[Commissioner Ryu arrived at 9:18 a.m.]

9 OTHER ITEMS

The following item was called up for consideration:

- d. Draft Sphere of Influence Policy.

The EO summarized the staff report concerning the Draft Sphere of Influence Policy.

The Commission took the following actions:

- Adopted the Sphere of Influence Policy; and
- Directed staff to post the Sphere of Influence Policy to the Commission website.

MOTION:	McCallum	SECOND:	Barger	APPROVED:	8-0-0
AYES:	Barger, Close, Dear, Hahn, McCallum, Mirisch, Ryu, Gladbach				
NOES:	None.				
ABSTAIN:	None.				
ABSENT:	Finlay				

The Commission returned to Agenda Item 9.a.

9 OTHER ITEMS

The following item was called up for consideration:

- a. Interview Alternate Public Member Finalist and Appoint Alternate Public Member.

The Commission interviewed the remaining Alternate Public Member finalist (the other four finalists were interviewed at the Commission Meeting on October 16, 2019).

Chair Gladbach asked the eight (8) voting members of the Commission present to identify their top two finalists. Upon the conclusion, it was determined that two candidates had each received four first place votes. Since there was a tie, and no voting member was willing to change his or her vote, the Commission determined that the outcome would be settled by a coin toss.

The Commission took the following actions:

- Interviewed one (1) additional Alternate Public Member Finalist; and
- Appointed David Lesser (winner of the coin toss) as the new LAFCO Alternate Public Member.

MOTION: Dear SECOND: Hahn APPROVED: 8-0-0
AYES: Barger, Close, Dear, Hahn, McCallum, Mirisch, Ryu, Gladbach
NOES: None.
ABSTAIN: None.
ABSENT: Finlay

10 LEGISLATION

None.

The EO indicated that there is no Legislative Update as the State Legislature is currently in recess.

11 MISCELLANEOUS CORRESPONDENCE

The EO noted that the following correspondence:

- a. 2019 Edition of The Sphere.

The EO noted that a letter dated October 29, 2019 from Herb Wesson (President, Los Angeles City Council) appointed David Ryu as the City of Los Angeles Voting Member (Commissioner Ryu was previously the City of Los Angeles Alternate Member).

Commissioner Mirisch asked when will the appointment of the City of Los Angeles Alternate Voting Member occur. Commissioner Ryu indicated he will follow up with Council President Wesson.

12 COMMISSIONERS' REPORT

Chair Gladbach stated that he attended the 2019 CALAFCO Conference in Sacramento.

Commissioner Hahn indicated she was a panelist at the General Session on Wednesday, October 30th at the 2019 CALAFCO Conference, "It takes a village: State, County, and LAFCo collaboration to solve a local problem". The session was held at the State Capitol Building, and it was well attended.

13.a. EXECUTIVE OFFICER'S WRITTEN REPORT

The EO summarized the Executive Officer Report.

13.b. EXECUTIVE OFFICER'S VERBAL REPORT

The EO stated that two (2) awards were presented during the 2019 CALAFCO Conference Awards Banquet: Assemblyman Gipson was awarded Legislator of the Year; and the County of Los Angeles, the State Water Resources Control Board, and Los Angeles LAFCO were awarded

the Government Leadership Award.

14 PUBLIC COMMENT

None.

15 FUTURE MEETINGS

January 8, 2020

February 12, 2020

March 11, 2020

16 FUTURE AGENDA ITEMS

None.

17 ADJOURNMENT MOTION

Commissioner Barger announced that this is Commissioner Hahn's last LAFCO meeting, and thanked Commissioner Hahn for her leadership and efforts in the dissolution of the Sativa County Water District.

Commissioner Dear wished the Commission and staff Happy Holidays and a Happy New Year.

The meeting was adjourned at 10:01 a.m.

Respectfully submitted,

Paul Novak, AICP
Executive Officer

10:10 AM
12/18/19
Cash Basis

LA LAFCO
Register Report
November 2019

6.b.

Type	Date	Num	Name	Paid Amount	Balance
Nov 19					
Check	11/01/2019	ADP	ADP	-39.37	-39.37
Check	11/04/2019	WIRE	TRPF 80 South Lak...	-8,949.87	-8,989.24
Bill Pmt -Check	11/04/2019	10459	Alonti Cafe	-177.28	-9,166.52
Bill Pmt -Check	11/04/2019	10460	ATT	-289.70	-9,456.22
Bill Pmt -Check	11/04/2019	10461	Bank of America*	-758.70	-10,214.92
Bill Pmt -Check	11/04/2019	10462	County Counsel	-17,594.85	-27,809.77
Bill Pmt -Check	11/04/2019	10463	County of Los Angel...	-649.98	-28,459.75
Bill Pmt -Check	11/04/2019	10464	CSDA	-1,446.00	-29,905.75
Bill Pmt -Check	11/04/2019	10465	FedEx	-24.95	-29,930.70
Bill Pmt -Check	11/04/2019	10466	LACERA	-13,876.59	-43,807.29
Bill Pmt -Check	11/04/2019	10467	Los Angeles County...	-1,500.00	-45,307.29
Bill Pmt -Check	11/04/2019	10468	Motor Parks	-630.00	-45,937.29
Bill Pmt -Check	11/04/2019	10469	Office Depot*	-409.55	-46,346.84
Bill Pmt -Check	11/04/2019	10470	Paul A. Novak	-566.35	-46,913.19
Bill Pmt -Check	11/04/2019	10471	Platinum Consulting	-4,107.73	-51,020.92
Bill Pmt -Check	11/04/2019	10472	Policy Consulting As...	-2,287.50	-53,308.42
Bill Pmt -Check	11/04/2019	10473	Promac Image Syst...	-58.78	-53,367.20
Bill Pmt -Check	11/04/2019	10474	RSG, Inc.	-1,872.50	-55,239.70
Bill Pmt -Check	11/04/2019	10475	The Lincoln National	-261.82	-55,501.52
Bill Pmt -Check	11/04/2019	10476	Tropical Interior Plants	-100.00	-55,601.52
Bill Pmt -Check	11/04/2019	10477	Well, a project of Co...	-750.00	-56,351.52
Bill Pmt -Check	11/04/2019	10478	Wells Fargo	-385.89	-56,737.41
Bill Pmt -Check	11/04/2019	10479	Western Graphix	-21.21	-56,758.62
Bill Pmt -Check	11/04/2019	10483	Edward J. Gladbach	-707.32	-57,465.94
Check	11/05/2019	10480	Alisha O'Brien	-891.98	-58,357.92
Check	11/05/2019	10481	LACERA-OPEB	-2,500.84	-60,858.76
Check	11/08/2019	ADP	ADP	-169.59	-61,028.35
Check	11/08/2019	WF	Wells Fargo	-162.52	-61,190.87
Check	11/12/2019	WF	Wells Fargo	-66.37	-61,257.24
Check	11/15/2019	DD	Ambar De La Torre	-2,112.52	-63,369.76
Check	11/15/2019	DD	Douglass S Dorado	-3,264.24	-66,634.00
Check	11/15/2019	DD	Adriana L Flores	-1,141.50	-67,775.50
Check	11/15/2019	DD	Michael E Henderson	-2,368.51	-70,144.01
Check	11/15/2019	DD	Paul A Novak	-5,244.17	-75,388.18
Check	11/15/2019	DD	Alisha O'Brien	-2,428.99	-77,817.17
Check	11/15/2019	DD	Adriana Romo	-3,318.56	-81,135.73
Check	11/15/2019	DD	Federal Tax Deposit	-4,730.12	-85,865.85
Check	11/15/2019	DD	State Income Tax	-1,409.77	-87,275.62
Bill Pmt -Check	11/18/2019	10482	Certified Records M...	-521.59	-87,797.21
Bill Pmt -Check	11/18/2019	10484	Charter Communica...	-531.71	-88,328.92
Bill Pmt -Check	11/18/2019	10485	CoreLogic	-28.80	-88,357.72
Bill Pmt -Check	11/18/2019	10486	Davis Farr LLP	-6,000.00	-94,357.72
Bill Pmt -Check	11/18/2019	10487	E Mulberg & Associ...	-1,600.00	-95,957.72
Bill Pmt -Check	11/18/2019	10488	FedEx	-38.27	-95,995.99
Bill Pmt -Check	11/18/2019	10489	Office Depot*	-72.81	-96,068.80
Bill Pmt -Check	11/18/2019	10490	Policy Consulting As...	-1,575.00	-97,643.80
Bill Pmt -Check	11/18/2019	10491	The Lincoln National	-261.82	-97,905.62
Check	11/22/2019	ADP	ADP	-141.66	-98,047.28
Check	11/29/2019	ADP	ADP	-39.37	-98,086.65
Check	11/29/2019	DD	Federal Tax Deposit	-4,744.34	-102,830.99
Check	11/29/2019	DD	State Income Tax	-1,415.12	-104,246.11
Check	11/29/2019	DD	Federal Tax Deposit	-661.14	-104,907.25
Check	11/29/2019	DD	Ambar De La Torre	-2,112.52	-107,019.77
Check	11/29/2019	DD	Douglass S Dorado	-3,099.86	-110,119.63
Check	11/29/2019	DD	Adriana L Flores	-1,141.50	-111,261.13
Check	11/29/2019	DD	Michael E Henderson	-2,368.50	-113,629.63
Check	11/29/2019	DD	Paul A Novak	-5,244.17	-118,873.80
Check	11/29/2019	DD	Alisha O'Brien	-2,473.12	-121,346.92
Check	11/29/2019	DD	Adriana Romo	-3,347.09	-124,694.01
Check	11/29/2019	60126...	Kathryn Barger	-134.09	-124,828.10
Check	11/29/2019	60126...	Brogin-Falley Lori	-179.03	-125,007.13
Check	11/29/2019	DD	Richard Close	-229.59	-125,236.72
Check	11/29/2019	DD	Donald Dear	-211.39	-125,448.11
Check	11/29/2019	60126...	Margaret E Finlay	-745.64	-126,193.75
Check	11/29/2019	60126...	Edward G Gladbach	-482.72	-126,676.47
Check	11/29/2019	DD	Janice K Hahn	-135.18	-126,811.65
Check	11/29/2019	DD	Gerard McCallum II	-164.88	-126,976.53

10:10 AM
12/18/19
Cash Basis

LA LAFCO
Register Report
November 2019

Type	Date	Num	Name	Paid Amount	Balance
Check	11/29/2019	DD	John A Mirisch	-989.17	-127,965.70
Check	11/29/2019	60126...	Judith M Mitchell	-84.83	-128,050.53
Check	11/29/2019	DD	David E Ryu	-138.53	-128,189.06
Nov 19				<u>-128,189.06</u>	<u>-128,189.06</u>

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
9	DD	City of Palmdale Annexation 2011-19	City of Palmdale	405 acres of uninhabited territory located between Palmdale Blvd and Ave S and 80th and 85th Street East.	Notice of Filing sent 3-22-12 Incomplete filing: property tax transfer resolution, inadequate CEQA, maps of limiting addresses, list of limiting addresses, and approved map and legal. DUC adjacent	3/8/2012	Unknown
10	DD	Reorganization No. 2014-03 to the City of Calabasas	City of Calabasas	176± acres immediately north of and adjacent to the 101 freeway between the City of Calabasas and Hidden Hills.	Notice of Filing sent 1-8-15, Incomplete filing: property tax transfer resolution and approved map and legal.	12/10/2014	Unknown
11	DD	Annexation No. 2015-11 to the City of Palmdale (Desert View Highlands)	City of Palmdale	284 acres inhabited territory. Generally located north and south of Elizabeth Lake Road between Amargosa Creek and 10th street west, in Los Angeles County unincorporated territory surrounded by the City of Palmdale	Notice of Filing sent 9-22-15 Incomplete filing: property tax resolution, attachment 'A' plan for municipal services, CEQA (NOD), party disclosure, pre-zoning, map of limiting addresses, registered voter info	9/15/2015	Unknown
12	DD	Annexation No. 2015-10 to the City of Agoura Hills	City of Agoura Hills	117 acres uninhabited territory. Located northeast and southwest of Chesebro Road directly north of the Highway 101	Notice of Filing sent 11-3-15 Incomplete filing: property tax transfer resolution.	11/2/2015	Unknown
13	DD	Reorganization No. 2016-01 to the Las Virgenes Municipal Water District	Las Virgenes Municipal Water District	Detachment from West Basin Municipal Water District, and annexation to the Las Virgenes Municipal Water District. Both districts require SOI amendments. The territory consists of 26 single-family homes, generally located south of Cainloch Street, west of Summit Mountain Way, all within the City of Calabasas.	Notice of Filing sent 04-19-16 Incomplete filing: property tax transfer resolution, and map and legal not approved.	2/22/2016	Unknown
14	AD	Annexation No. 2017-02 to the Newhall County Water District	Newhall County Water District	uninhabited territory, located west of the 5 freeway and north of the intersection of The Old Road and Calgrove Blvd.	Notice of Filing sent 06-21-17 Incomplete filing: property tax transfer resolution, CEQA, approved map and legal.	6/15/2017	Unknown
15	DD	Annexation No. 2017-09 to the Wilmington Cemetery District	Wilmington Cemetery District	inhabited territory around Wilmington	Notice of Filing sent 6-10-17 Incomplete filing: property tax transfer resolution	7/10/2017	Unknown
16	DD	Reorganization No. 2017-10 to the Las Virgenes Municipal Water District	Robert Douglass	5.26 acres of uninhabited territory. The affected territory is generally located northeast of the intersection of Hovenweep Lane and Schueren Road, in the unincorporated area north of Malibu	Notice of Filing Sent 11-30-17 Incomplete Filing: property tax transfer resolution, approved map and legal	11/8/2017	Unknown
17	DD	Annexation No 2018-10 to the Los Angeles County Waterworks District No. 40, Antelope Valley	Robert Sarkissian	80.91± acres of uninhabited territory. The affected territory is located southeast of the intersection of Blackbird Street and 8Th Street West, in the City of Palmdale	September 1, 2019 agenda	10/1/2018	Oct-2019
18	DD	Annexation No. 2018-06 to the San Gabriel Valley Mosquito and Vector Control District	San Gabriel Valley Mosquito and Vector Control District	77.55± acres of inhabited territory. The affected territory is located north of the intersection of Mountain Laurel Way and Highwood Court in the City of Azusa.	Notice of Filing Sent 11-1-18 Incomplete filing: property tax transfer resolution, approved map and legal	10/22/2018	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
19	DD	Annexation No. 2018-12 to the City of Agoura Hills	City of Agoura Hills	82.58± acres of inhabited territory to the City of Agoura Hills. Area A of the affected territory is generally located east of the intersection of Liberty Canyon Road and Agoura Road and Area C is generally located west of the intersection of Liberty Canyon Road and Revere Way, in Los Angeles County unincorporated territory adjacent to the City of Agoura Hills	Notice of Filing sent 11-20-18 Incomplete filing: property tax transfer resolution, CEQA, map of limiting addresses, pre-zoning, register voter labels, approved map and geographic description.	11/19/2018	Unknown
20	AD	Annexation 429 to District No. 14	Sanitation Districts	640.07± acres of uninhabited territory. The affected territory is located on the southeast corner of Sierra Highway and Columbia Way, all within the City of Palmdale.	Notice of Filing Sent 11-29-18 Incomplete filing: property tax transfer resolution.	11/28/2018	Unknown
21	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1093	Sanitation Districts	0.3± acres of uninhabited territory. The affected territory is located on Scherzinger Lane approximately 100 feet southwest of Sierra Cross Avenue, all within the City of Santa Clarita.	Notice of Filing Sent 12-27-18 Incomplete filing: property tax transfer resolution.	12/26/2018	Unknown
22	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1097	Sanitation Districts	230± acres of uninhabited territory. The affected territory is located south of Pico Canyon Road at the westerly terminus of Verandah Court, all within the unincorporated area of Los Angeles County.	Notice of Filing Sent 12-27-18 Incomplete filing: property tax transfer resolution.	12/26/2018	Unknown
23	DD	Annexation No. 2018-11 to the Los Angeles County Waterworks District No. 40, Antelope Valley	Lester Knox	20± acres of uninhabited territory, located southeast of the intersection of Mountain Springs Road and Hawk Free Court, in the unincorporated area known as Acton.	November agenda	10-Jan	Unknown
24	AD	Annexation 760 to District No. 21	Sanitation Districts	0.48± acres of uninhabited territory. The affected territory is located north of the Pomona freeway approximately 300 feet west of Hacienda Boulevard, all within the unincorporated area of Los Angeles County.	Notice of Filing Sent 1-30-19 Incomplete filing: property tax transfer resolution.	1/30/2019	Unknown
25	AD	Annexation 430 to District No. 14	Sanitation Districts	227.677± acres of uninhabited territory. The affected territory is located north of Avenue D, south of Avenue B, east of the Southern Pacific Railroad, and west of Edwards Air Force Base, all within the unincorporated area of Los Angeles County.	Notice of Filing Sent 2-20-19 Incomplete filing: property tax transfer resolution.	2/12/2019	Unknown
26	AD	Santa Clarita Valley Sanitation District of Los Angeles County Annexation 1091	Sanitation Districts	4.158± acres of inhabited territory. The affected territory is located on Placeritos Boulevard approximately 200 feet west of Aden Avenue, all within the City of Santa Clarita.	Notice of Filing Sent 2-20-19 Incomplete filing: property tax transfer resolution.	2/12/2019	Unknown
27	AD	Annexation 759 to District No. 21	Sanitation Districts	1.21± acres of uninhabited territory. The affected territory has 2 parcels. Parcel 1 is located on Glen Way approximately 800 feet north of Baseline Road; Parcel 2 is located on Mountain Avenue approximately 150 feet north of Baseline Road, all within the unincorporated area of Los Angeles County.	Notice of Filing Sent 3-7-19 Incomplete filing: property tax transfer resolution.	3/6/2019	Unknown
28	DD	Reorganization No. 2019-01 to the City of Rancho Palos Verdes	Rajendra Makan	1.17± acres of uninhabited territory located along Re Le Chardlene, east of the intersection of Chandeleur and Rue Le Charlene, in the City of Los Angeles.	Notice of Filing Sent 5-14-19 Incomplete filing: property tax transfer resolution and approved map and legal.	5/14/2019	Unknown
29	DD	Annexation No 2019-07 to the Greater Los Angeles County Vector Control District (Entire City of Vernon)	City of Vernon	3,301± acres of inhabited territory, entire City of Vernon	Notice of Filing Sent 8-28-19 Incomplete filing: property tax transfer resolution, party disclosure, approved map and legal.	7/23/2019	Unknown
30	AD	Annexation 762 to District No. 21	Sanitation Districts	0.389± acres of uninhabited territory. The affected territory is located on Mountain Avenue approximately 300 feet north of Baseline Road, all within Unincorporated Los Angeles County.	Notice of Filing Sent 9-24-19 Incomplete filing: property tax transfer resolution.	9/24/2019	Unknown
31	AD	Annexation 435 to District No. 22	Sanitation Districts	2.2± acres of uninhabited territory. The affected territory is located on Foothill Boulevard approximately 250 feet west of San Dimas Canyon Road, all within the City of San Dimas.	Notice of Filing Sent 9-24-19 Incomplete filing: property tax transfer resolution.	9/24/2019	Unknown
32	AD	Annexation 761 to District No. 21	Sanitation Districts	1.23± acres of uninhabited territory. The affected territory is generally located on Baseline Road approximately 1,000 feet west of Towne Avenue, all within the City of Claremont.	Notice of Filing Sent 10-17-19 Incomplete filing: property tax transfer resolution.	10/15/2019	Unknown

		LAFCO Designation	Applicant	Description	Status	Date Filed	Est. Date of Completion
33	DD	Annexation No. 2019-03 to the Santa Clarita Valley Water Agency	Santa Clarita Valley Water Agency	324± acres of uninhabited territory. The affected territory is generally located east and west of San Francisquito Canyon Road approximately one mile north of the City of Santa Clarita, in Los Angeles County unincorporated territory near the City of Santa Clarita.	Notice of Filing Sent 10-23-19 Incomplete filing: property tax resolution, LAFCO fees, consent letter, CEQA, and approved map and legal	10/17/2019	Unknown
34	DD	Formation No. 2019-06 of the Lower Los Angeles River Recreation and Park District	City of South Gate	irhabited territory, along the Los Angeles River between Vernon and Long Beach	waiting an a map to start the formation process.	10/2/2019	Unknown
35	AD	Annexation 429 to District No. 22	Sanitation Districts	4.64± acres of uninhabited territory. The affected territory has 2 parcels. Parcel 1 is located on Cameron Avenue approximately 800 feet south of Barranca Street; Parcel 2 is located on Wrede Way approximately 300 feet west of Grand Avenue, all within the City of West Covina.	Notice of Filing Sent 11-7-19 Incomplete filing: property tax transfer resolution.	11/6/2019	Unknown
36	AD	Annexation 431 to District no. 14	Sanitation Districts	2.72± acres of uninhabited territory. The affected territory is on the southeast corner of 20th Street West and Avenue L, all within the City of Lancaster.	Notice of Filing Sent 11-13-19 Incomplete filing: property tax transfer resolution.	11/12/2019	Unknown
37	AD	Annexation 32 to District no. 16	Sanitation Districts	0.789± acres of uninhabited territory. The affected territory is on the north side of Sierra Madre Boulevard approximately 50 feet east of Canyon Wash Drive, all within the City of Pasadena.	Notice of Filing Sent 12-11-19 Incomplete filing: property tax transfer resolution.	12/5/2019	Unknown
38	AD	Annexation 433 to District no. 22	Sanitation Districts	0.755± acres of uninhabited territory. The affected territory is on Crestglen Road approximately 300 feet north of Sierra Madre Avenue, all within the City of Glendora.	Notice of Filing Sent 12-11-19 Incomplete filing: property tax transfer resolution.	12/5/2019	Unknown

Staff Report

January 8, 2020

Agenda Item No. 7.a.

MSR No. 2019-10

Municipal Service Review and Sphere of Influence Update for the Wrightwood Community Services District

BACKGROUND:

Wrightwood is a small unincorporated community with approximately 4,500 residents located in the eastern San Gabriel Mountains in the Counties of Los Angeles and San Bernardino with the majority of its territory located in San Bernardino County. Wrightwood is located approximately 3 miles southwest of the intersection of California State Route 2 and California State Route 138.

Since most of the affected territory is located within San Bernardino County, the Local Agency Formation Commission (LAFCO) for San Bernardino County, as principal county, formed the Wrightwood Community Services District (“District”) which became effective July 1, 2017. San Bernardino is the principal county as defined by Section 56066 of the Government Code, as the county having the greater portion of the entire assessed value, as shown on the last equalized assessment roll of the county or counties, of all taxable property within a district or districts for which a change of organization or reorganization proposed.

The Wrightwood Community Services District is an independent special district. The governing body consists of a five-member Board of Directors elected at-large residing within the boundaries of the Wrightwood Community Services District.

On October 16, 2019, San Bernardino LAFCO adopted and approved a Municipal Services Review (MSR) for the Wrightwood CSD. In cooperation with LA LAFCO, the MSR addressed all territory within the Wrightwood CSD, including those portions in San Bernardino County and in Los Angeles County.

MUNICIPAL SERVICE REVIEW DETERMINATIONS:

Pursuant to Government Code Section 56430, in order to prepare and to update a Spheres of Influence meets the requirements of Section 56425, the Commission shall conduct a review of the municipal services in that particular district, “consider and prepare a written statement of its determinations.” As principal county, San Bernardino LAFCO has prepared the attached MSR (LAFCO 36234: Service Review for the Wrightwood Community Services District) which made the following determinations which are also recommended for approval by LA LAFCO:

Population Projections:

Wrightwood is a small, isolated community essentially nestled in a valley surrounded by forest lands. The total land area of the Wrightwood CSD comprises approximately 17 square miles (10,886 acres).

Within the San Bernardino County portion of the community, approximately 70 percent of the land is forest lands, 25 percent residential (both single family and multi-family) and five percent commercial. Land use planning and development entitlements within the San Bernardino County portion of the community are administered through the County of San Bernardino. According to the County's Land Use Service Department, the current General Plan land use designations are: Special Development Residential (SD-RES), Multiple Residential (RM), Single Residential (RS), Single Residential – 10,000 sq. ft. min. (RS10M), Service Commercial (CS), General Commercial (CG), Neighborhood Commercial (CN), Floodway (FW), and Resource Conservation (RC). No territory is designated for agricultural land use.

Within the Los Angeles County portion of the community, approximately 61 percent of the land is forest lands, 21 percent rural residential, 17 percent rural commercial, and less than 1 percent designated for public use. Land use planning and development entitlements within the Los Angeles County portion of the community are administered through the Los Angeles County Department of Regional Planning. According to the LA County General Plan 2035, the current land use designations are: Rural Commercial (CR), National Forest (OS-NF), Public and Semi-Public (P), Rural Land 10 (RL 10), and Rural Land 20 (RL-20). No territory is designated for agricultural land use.

Population growth over the next five years is expected to be minimal. The CSD's 2018 population is estimated to be 4,978. In 2023, the CSD is projected to have a population of 5,145, an increase of 167 residents (0.66 percent) between 2018 and 2023.

Disadvantaged Unincorporated Communities:

No disadvantaged unincorporated communities (per the definition in Government Code Section 56033.5) are located within or contiguous to the Wrightwood CSD sphere of influence. No further analysis is required.

Present and Planned Capacity of Public Facilities:

The Wrightwood CSD currently provides street lighting, park and recreation and solid waste disposal (through a contract with CR&R Waste and Recycling Services). The District has been providing these services for two years with a level determined by its finances. The District is authorized to provide wastewater services but is limited to planning and engineering services only.

Wrightwood is located at an elevation of approximately 6,000 feet above sea level and has no municipal sewer services. As a result, all development in this area requires Onsite Wastewater Treatment Systems (“OWTS” – septic tanks or package treatment plants). In response to the formation of the Wrightwood CSD in 2016 (LAFCO 3202), the Lahontan Water Board provided information on the community’s wastewater issues.

These are septic tanks for solids removal followed by sub-surface disposal, typically a seepage pit. The Lahontan Water Board has long desired that some form of common sewerage be implemented in Wrightwood to deal with problems that periodically arise. Options include centralized or de-centralized sewer collection, treatment, disposal, and OWTS maintenance.

OWTS failures have occurred in the older sections of Wrightwood with a high density of small lots. Failures have also occurred in years with elevated precipitation when shallow groundwater rises to the surface. Many underdeveloped lots do not meet the Water Board’s minimum lot size for installing an OWTS.

The requirement for sewerage is not locally made – it is a requirement which may be imposed by a regional regulatory agency. The approval of LAFCO 3202 in 2017 authorized the CSD to perform the function of wastewater (limited to planning of a regional sewer entity.) Recently formed in July 2017, the Wrightwood CSD is in its infancy and continues to work through the administrative, budgetary and service challenges common of any newly formed agency.

From LAFCO staff’s perspective, for the CSD to take on an additional service at this time, especially one as complex and labor intensive as sewer, would be extremely challenging in the near term. However, the lack of a sanitary sewer system in Wrightwood is a core infrastructure deficiency and should remain a high level community concern.

The CSD is positioned to play a key role in coordinating with the Lahontan Board and representing the Wrightwood community on this issue. LAFCO staff encourages both parties to have ongoing communication and continue to inform the Wrightwood community on important sewer and water quality related issues. Should the CSD, at some point in the future, desire to actively provide wastewater collection and treatment service, it would be required to return to San Bernardino LAFCO for approval under the provisions outlined in Government Code Section 56824.10 et seq.

Additionally, roughly two and half miles to the west of the Wrightwood CSD in Los Angeles County is the Mountain High ski area, which has two wastewater treatment plants. The Lahontan Regional Board identified that an additional opportunity may be for a single system to encompass the Wrightwood community and Mountain High Resort. From LAFCO’s staff view, a single sewer collection and treatment system for the entire Wrightwood/Mountain High Resort area has the potential to provide a long-term solution to the large community’s sewer needs. The viability of this option should be explored in any sewer planning efforts for this area.

Financial Ability of Agencies to Provide Services:

The Wrightwood CSD is a nascent agency. Therefore, historical record is not the measure of fiscal health; rather, it is that of its current financial condition. In this case, the agency's financial ability to provide services is measured as of the end of the most recent fiscal year – June 30, 2019. A copy of the audit for FY 2018-19 is included as Attachment #3.

In a one-year comparison:

- Property tax revenues increased 7.0%.
- The increase in revenues resulted in an increase in cash and investments. This, coupled with a decrease in liabilities, results in a better liquidity position.
- Cash and cash equivalents (business-type funds) increased by 55.6%.
- Fund balance for Governmental Activities (parks and streetlights) decreased from \$45,311 to \$28,158.
- Cash and cash equivalents for Enterprise Activities increased from \$136,317 to \$212,066.

This service review does issue a few notes of caution. The most recent audit shows a marked increase in salaries and benefits as well as services and supplies. Should the District grow and these expenditures increase as well, the District should ensure that sufficient, sustainable revenues are able to fund the District's activities.

Status of, and Opportunities for, Shared Facilities:

As noted previously, the Wrightwood community is a small, isolated community surrounded by forest lands. This community's size and location severely limit opportunities for the CSD to share facilities with other agencies.

As mentioned in Determination III, a potential opportunity exists in the future to form a single wastewater collection and treatment system to encompass the Wrightwood and Mountain High communities. This option may involve sharing treatment capacity at the two wastewater treatment plants currently serving the Mountain High ski area. The viability of this option should be explored in any future sewer planning efforts for this area.

Accountability for Community Services Needs:

Accountability for Community Service Needs

The Wrightwood CSD has a website that includes the names, email addresses and terms of the Board of Directors, a direct, standalone link to meeting agendas on its opening page, brief descriptions of CSD services, a calendar of community events and meetings, and Board adopted ordinances and resolutions. The website is electronically searchable. Meeting agendas are posted on the website at least 72 hours in advance of meetings. Agendas, staff reports, meeting minutes and audio recordings of Board meetings in 2019 are also available.

However, financial information (budgets, audits, and compensation) are not currently posted on the website. This information should be added to the website in the near future to increase agency transparency and accountability.

Governmental Structure and Operational Efficiencies

The Wrightwood Community Services District is governed by a five-member Board of Directors, elected at-large, by Wrightwood residents. Board members serve four-year, staggered terms. The current Board membership is shown in the table below.

Wrightwood CSD Board of Directors		
Board Member	Title	Term Expiration
Wes Zuber	President	2020
Leo Hordyk	Vice-President	2022
Chuck Franklin	Director	2020
Natalie Lopiccolo	Director	2020
Michelle Schneider	Director	2022

The Board meets the first Tuesday of every month at 6:30 p.m. in the Community Building located at 1275 Highway 2 in Wrightwood. Meeting agendas are posted at least 72 hours prior to the Board meetings in the Community Building, the Old Fire Station, the Hardware Store and on the CSD's website.

Just formed in July 2017, the Wrightwood CSD is in its infancy and continues to work through the administrative, budgetary and service challenges common of any newly formed agency. No additional governmental structure opportunities have been identified.

However, Wrightwood is located at an elevation of approximately 6,000 feet above sea level and has no municipal sewer services. The approval of the LAFCO 3202 in July 2017 authorized the CSD to provide wastewater services but specifically limited that service to planning and engineering services only. Should, in the future, a decision be made by the Lahontan Regional Water Quality Control Board to require municipal level sewer service in Wrightwood, the District is well positioned to play a key role in coordinating with the Lahontan Board and representing the Wrightwood community on this issue. Should sewer service be required, the District may also be the logical long-term wastewater collection and treatment provider for the community.

Other Matters, as deemed relevant by the Commission:

None.

SPHERE OF INFLUENCE (SOI) BACKGROUND:

Since 1971, LAFCOs have been required to develop and adopt a SOI for each city and special District. Government Code Section 56076 defines a SOI as “a plan for the probable physical boundaries and services area of a local agency, as determined by the Commission.”

Determining SOIs is central to the Commission’s purpose. As Stated in Government Code Section 56425:

“In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies subject to the jurisdiction of the commission to advantageously provide for the present and future needs of the county and its communities, the Commission shall develop and determine the Sphere of Influence of each city and special district, as defined by Section 56036, within the county and enact policies designed to promote the logical and orderly development of areas within the sphere.”

Section 56425(g) further requires that the Commission review and update SOI’s “every five years, as necessary.”

The Local Agency Formation Commission for San Bernardino County established a coterminous Sphere of Influence for the San Bernardino of the Wrightwood Community Services District County portion on July 18, 2018.

Similarly, the Local Agency Formation Commission for the County of Los Angeles established a coterminous Sphere of Influence for the Wrightwood Community Services District (Los Angeles portion) on August 8, 2018.

PUBLIC HEARING REQUIREMENT FOR SOI UPDATE:

The Executive Officer, pursuant to Government Code Section 56427, set January 8, 2020, as the hearing date on this SOI update, and gave the required notice of public hearing pursuant to Government Code Section 56427. Notice of the public hearing for the proposed Sphere of Influence update was given pursuant to Government Code Sections 56150-56160. The public hearing notice was published in a newspaper of general circulation in the County of Los Angeles on December 6, 2019 and in the County of San Bernardino on December 12, 2019, at least 21 days prior to the public hearing, and said hearing notice was also mailed to all required recipients by first-class mail on or before the date of newspaper publication.

SPHERE OF INFLUENCE DETERMINATIONS PURSUANT TO GOVERNMENT CODE 56425(e):

1. *Present and Planned Land Uses in the Area:*

The present land use is residential, commercial, and vacant land. There are no proposed/future land use changes due to this proposed SOI establishment.

2. *Present and Probable Need for Public Facilities and Services in the Area:*

The affected territory is located within the County of Los Angeles unincorporated community of Wrightwood. The Wrightwood Community Services District currently provides street lighting, solid waste and recycling, parks and recreation, and planning and engineering for wastewater services.

The affected territory includes residential, commercial, and vacant land which requires organized governmental services. The affected territory will require governmental facilities and services indefinitely.

3. *Present Capacity of Public Facilities and Services:*

The Wrightwood Community Services District is expected to continue providing those services it has been authorized to provide at formation. No expansion of services will result from this proposed establishment of the Sphere of Influence.

4. *Social or Economic communities of interest:*

The proposal will have no adverse effect with respect to the fair treatment of people of all races and incomes, or the location of public facilities or services.

5. *Disadvantaged Unincorporated Communities:*

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

FUNCTIONS AND CLASSES OF SERVICES PURSUANT TO GOVERNMENT CODE 56425(i):

The Commission has on file a written statement from the District pursuant to Section 56425(j) of the Government Code specifying the functions and classes of service of the Wrightwood Community Services District. The Commission is required to establish the nature, location and extent of the District's functions or classes of service in accordance with Government Code Sections 56425(i). The Wrightwood Community Services District provides the following functions and classes of services pursuant to Government Code Section 61100:

Street lighting – Acquire, construct, improve, maintain, and operate streetlighting and landscaping on public property, public right-of-way, and public easements;

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

Parks and Recreation – Acquire, construct, improve, maintain, and operate recreation

facilities, including, by not limited to, parks and open space, in the same manner as the recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code; and Wastewater – Planning and engineering for the potential development of a regional wastewater treatment system should such be required by Lahontan Regional Water Quality Control Board in the same manner as a sanitary district, formed pursuant to Sanitary District Act of 1923 Division 6 (commencing with Section 6400) of the Health and Safety Code.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CLEARANCE:

The MSR and SOI update for the Wrightwood Community Services District is exempt from the provisions of CEQA because it can be seen with certainty that there is no possibility that the recommended studies, periodic update and recommended confirmation of the current coterminous SOI for the Wrightwood Community Service District will have a significant effect on the environment pursuant to State CEQA Guidelines Section 15061(b)(3). In the alternative, this recommendation is not a project for the purposes of CEQA because it is an organizational activity of government with no direct or indirect effects on the physical environment and therefore is excluded from the definition of a project, pursuant to Section 15378(b) of the State CEQA Guidelines.

CONCLUSION:

These recommended MSR determinations, addressed in LAFCO 36234: Service Review for the Wrightwood Community Services District were prepared and approved by San Bernardino LAFCO on October 9, 2019. Staff is comfortable that the MSR addresses the necessary requirements for an MSR, as defined in Government Code § 56425, and that the MSR accurately analyzes the District's services and financial issues.

The Wrightwood Community Services District's existing coterminous SOI (Los Angeles portion) was established August 8, 2018. Future changes to the district boundary are unlikely; LAFCO staff therefore recommends that the Commission reconfirm the existing coterminous SOI (Los Angeles portion) for the Wrightwood Community Services District.

RECOMMENDED ACTION:

1. Open the public hearing and receive testimony on the MSR and SOI update for the Wrightwood Community Service District;
2. There being no further testimony, close the public hearing;
3. Adopt and approve the MSR (LAFCO 36234: Service Review for the Wrightwood Community Services District) adopted by San Bernardino LAFCO on October 16, 2019, as enclosed;

4. Adopt the Resolution Making Determinations, including the California Environmental Quality Act determinations, Approving MSR 2019-10—Municipal Service Review and Sphere of Influence update for the Wrightwood Community Services District (Los Angeles County portion) which reconfirms the existing Coterminous Sphere of Influence for that portion of the Wrightwood CSD within Los Angeles County, originally adopted by the Commission on August 8, 2018; and
5. Direct the Executive Officer to add the words “Reconfirmed (Los Angeles County portion) January 8, 2020” to the official Los Angeles LAFCO SOI map for the Wrightwood Community Services District.

ATTACHMENTS:

- MSR (LAFCO 3234: Service Review for the Wrightwood Community Services District)
- Wrightwood Community Services District Financial Statements for June 30, 2019 and 2018
- LAFCO San Bernardino’s Notice of Exemption for the MSR (LAFCO 3234: Service Review for the Wrightwood Community Services District)

RESOLUTION NO. 2020-00RMD
RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR THE COUNTY OF LOS ANGELES
MAKING DETERMINATIONS APPROVING
"MSR NO. 2019-10
MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE
WRIGHTWOOD COMMUNITY SERVICES DISTRICT"

WHEREAS, Division 3, Title 5, of the California Government Code (commencing with section 56000, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000), provides that a Local Agency Formation (LAFCO) shall develop and determine a Sphere of Influence (SOI) for each special district (Government Code Section 56425(a)) and that every five years thereafter, the Commission shall, as necessary, review and update each SOI (Government Code Section 56425(g)); and

WHEREAS, the SOI is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, Section 56430 requires that in order to prepare and to update Spheres of Influence, the Commission shall conduct a Municipal Service Review (MSR) prior to or in conjunction with an action to update or adopt a Sphere of Influence; and

WHEREAS, this proposed SOI update consists of inhabited territory and is assigned the following distinctive short-form designation: "MSR No. 2019-10—Municipal Service Review and Sphere of Influence Update for the Wrightwood Community Services District"; and

WHEREAS, a map of the proposal is set forth in Exhibit "A", attached hereto and by this reference incorporated herein; and

WHEREAS, the Local Agency Formation Commission for San Bernardino County, as principal county, has prepared and approved and MSR for the Wrightwood Community Services District on October 9, 2019 (LAFCO 36234: Service Review for the Wrightwood Community Services District); and

WHEREAS, the Local Agency Formation Commission for the County of Los Angeles supports the determinations within MSR (LAFCO 36234: Service Review for the Wrightwood Community Services District) as approved by the San Bernardino LAFCO; and

WHEREAS, the Executive Officer has submitted to the Commission the MSR for the Wrightwood Community Services District (LAFCO 36234: Service Review) and recommendations relative to the MSR and SOI Update, including the recommendation to reconfirm the existing SOI for the Wrightwood Community Services District; and

WHEREAS, the MSR (LAFCO 36234: Service Review for the Wrightwood Community Services District) contains determinations required by Section 56430 for the municipal services provided the Wrightwood Community Services District; and

WHEREAS, the Executive Officer set January 8, 2020, as the hearing date on this SOI update, and gave notice of public hearing pursuant to Government Code Section 56427, wherein the public hearing notice was published in a newspaper of general circulation in the County of Los Angeles on December 6, 2019 and in the County of San Bernardino on December 12, 2019, and mailed to all required recipients by first-class mail at least 21 days prior to the public hearing; and

WHEREAS, on January 8, 2020, after being duly and properly noticed, this proposal came on for hearing, at which time this Commission heard and received all oral and written testimony, objections, and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, based upon staff review and the feasibility of governmental reorganization identified in Section 56425(h), staff has determined that any such reorganization of the agency will not further the goals of orderly development and affordable service delivery, and therefore will not recommend reorganization of the Wrightwood Community Services District; and

WHEREAS, the proposed action consists of adoption of the MSR (LAFCO 36234: Service Review for the Wrightwood Community Services District) and SOI update of the Wrightwood Community Services District.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The Commission, finds that MSR No. 2019-10—Municipal Service Review and Sphere of Influence Update for the Wrightwood Community Services District, is exempt from the provisions of the California Environmental Quality Act ("CEQA") because it can be seen with certainty that there is no possibility that the update of the Sphere of Influence of the Wrightwood Community Service District will have a significant effect on the environment pursuant to State CEQA Guidelines Section 15061(b)(3). In the alternative, this recommendation is not a project for the purposes of CEQA because it is an organizational activity of government with no direct or indirect effects on the physical environment and

therefore is excluded from the definition of a project, pursuant to Section 15378(b) of the State CEQA Guidelines.

2. The Commission adopts the MSR for the Wrightwood Community Service District (LAFCO 36234: Service Review for the Wrightwood Community Services District), as prepared by San Bernardino LAFCO.
3. The Commission hereby reconfirms the existing coterminous Sphere of Influence for the Wrightwood Community Services District (Los Angeles portion) and makes the following determinations in accordance with Government Code Section 56425(e):

- a. Present and Planned Land Uses in the Area

The present land use is residential, commercial, and vacant land. There are no proposed/future land use changes due to this proposed SOI establishment.

- b. Present and Probable Need for Public Facilities and Services in the Area

The affected territory is located within the County of Los Angeles unincorporated community of Wrightwood. The Wrightwood Community Services District currently provides street lighting, solid waste and recycling, parks and recreation, and wastewater planning and engineering services.

The affected territory includes residential, commercial, and vacant land which requires organized governmental services. The affected territory will require governmental facilities and services indefinitely.

- c. Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The Wrightwood Community Services District is expected to continue providing

those services it has been authorized to provide at formation. No expansion of services will result from this proposed establishment of the Sphere of Influence.

d. Existence of Any Social or Economic Communities of Interest

The proposal will have no adverse effect with respect to the fair treatment of people of all races and incomes, or the location of public facilities or services.

e. Disadvantaged Unincorporated Communities

There are no Disadvantaged Unincorporated Communities (DUCs) within or adjacent to the affected territory.

4. The Commission has on file a written statement of the functions and classes of service of the Wrightwood Community Services District and is required to establish the nature, location and extent of any functions or classes of service and that it provides accordance with Government Code Sections 56425(i). The Wrightwood Community Services District provides the following functions and classes of services pursuant to Government Code Section 61100:

Street lighting – Acquire, construct, improve, maintain, and operate streetlighting and landscaping on public property, public right-of-way, and public easements;

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

Parks and Recreation – Acquire, construct, improve, maintain, and operate recreation facilities, including, by not limited to, parks and open space, in the same manner as the recreation and park district forms pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code; and

Wastewater – Planning and engineering for the potential development of a regional wastewater treatment system should such be required by Lahontan Regional Water Quality Control Board in the same manner as a sanitary district, formed pursuant to Sanitary District Act of 1923 Division 6 (commencing with Section 6400) of the Health and Safety Code.

5. The Commission has on file a written statement from the District pursuant to Section 56425(j) of the Government Code specifying the functions and classes of service of the Wrightwood Community Services District. The Commission is required to establish the nature, location and extent of the District's functions or classes of service in accordance with Government Code Sections 56425(i). The Wrightwood Community Services District provides the following functions and classes of services pursuant to Government Code Section 61100:

Street lighting – Acquire, construct, improve, maintain, and operate streetlighting and landscaping on public property, public right-of-way, and public easements;

Solid Waste and Recycling – Collect, transfer, and dispose of solid waste and refuse and provide solid waste handling services, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing

with Section 40000), and consistent with Section 41821.2 of the Public Resources Code;

Parks and Recreation – Acquire, construct, improve, maintain, and operate recreation facilities, including, by not limited to, parks and open space, in the same manner as the recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code; and

Wastewater – (Collect, treat, or dispose of sewage, wastewater, recycled water, and storm water, in the same manner as sanitary district, is a latent power). Planning and engineering for the potential development of a regional wastewater treatment system should such be required by Lahontan Regional Water Quality Control Board in the same manner as a sanitary district, formed pursuant to Sanitary District Act of 1923 Division 6 (commencing with Section 6400) of the Health and Safety Code.

6. The affected territory is inhabited and is assigned the following short form designation:
“MSR No. 2019-10—Municipal Service Review and Sphere of Influence Update for the Wrightwood Community Services District”.
7. A map of the Sphere of Influence Update for the Wrightwood County Services District, as approved by this Commission, are set forth in Exhibit “A”, attached hereto and incorporated by reference herein.
8. The Executive Officer is hereby directed to add the words “Reconfirmed (Los Angeles

County portion) January 8, 2020” to the official LAFCO SOI map for the Wrightwood Community Services District.

9. The Executive Officer is hereby authorized and directed to mail copies of this resolution to the Wrightwood Community Services District and the Local Agency Formation Commission for San Bernardino County.

PASSED AND ADOPTED this 08th day of January 2020.

MOTION:

SECOND:

AYES:

NOES:

ABSTAIN:

ABSENT:

MOTION PASSES: 0/0/0

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Paul A. Novak, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE : OCTOBER 9, 2019

FROM:  **SAMUEL MARTINEZ, Executive Officer**
MICHAEL TUERPE, Project Manager

TO: LOCAL AGENCY FORMATION COMMISSION

**SUBJECT: AGENDA ITEM #10 – LAFCO 3234: SERVICE REVIEW FOR THE
WRIGHTWOOD COMMUNITY SERVICES DISTRICT**

RECOMMENDATIONS:

Staff recommends that the Commission take the following actions related to LAFCO 3234:

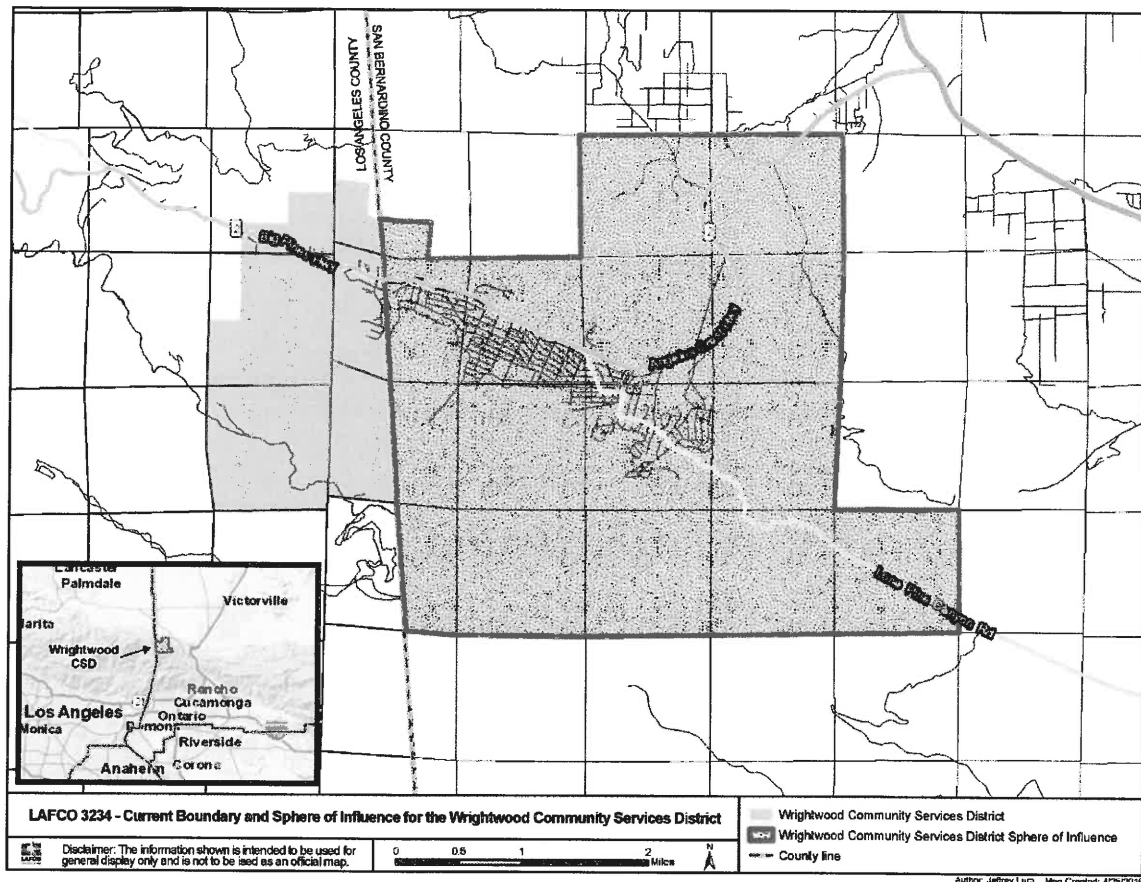
1. For environmental review, certify that the service review is statutorily exempt from environmental review, and direct the Executive Officer to file the Notice of Exemption within five (5) days.
2. Accept and file the Service Review for the Wrightwood Community Services District which sets forth the written statements for the six determinations outlined in Government Code Section 56430 made by the Commission.
3. Adopt LAFCO Resolution No. 3288 reflecting the Commission's determinations and directions as required by Government Code Section 56430 and Commission policy.

BACKGROUND:

The community of Wrightwood is a small, unincorporated mountain community located in the Swarthout Valley in the eastern San Gabriel Mountains. The community is located in both San Bernardino and Los Angeles Counties, with San Bernardino as the principal county. The community has a population of approximately 4,978 residents (2018).

On November 3, 2015, the Board of Supervisors for San Bernardino County initiated the formation of a community services district to provide for a single, multi-purpose special district for the Wrightwood community in both Los Angeles and San Bernardino Counties (LAFCO 3202). The Wrightwood Community Services District ("Wrightwood CSD", "CSD" or

“District”) formation was approved by LAFCO on July 11, 2016 with the following functions and services as active powers: street lighting, parks and recreation, solid waste and recycling, and planning and engineering for wastewater service. Subsequently, the CSD formation was approved by Wrightwood voters on March 7, 2017 with an effective date of July 1, 2017. A map of the Wrightwood CSD and its coterminous sphere of influence (within San Bernardino County) is shown below:



Sphere Establishment within San Bernardino County

In the past, the Commission has generally established a sphere of influence for a newly formed agency within one year of its formation pursuant to the statutory direction identified in Government Code Section 56426.5(b). However, Section 56430(e) requires that the Commission, in conjunction with establishing a sphere of influence, also conduct a service review.

Since its formation, the Wrightwood CSD has been addressing fiscal related issues. In order to have a better understanding of the District's finances, the Commission, in April 2018, directed LAFCO staff to defer the service review

Purpose of a Service Review

A service review is a comprehensive review to inform LAFCO, local agencies, and the community about the provision of municipal services. Service reviews attempt to describe and analyze information about service providers and to identify opportunities for increased effectiveness and efficiencies of service delivery. The service review can work in conjunction with a sphere of influence determination and may also guide (not require) LAFCO to take other actions under its authority. LAFCO, local agencies and the community may then use the service review to consider potential proposals to LAFCO (i.e. annexations, consolidations).

until July 2019. In July 2018, the Commission moved forward with the establishment of a sphere for the District in advance of the service review, approving LAFCO 3227 which established a coterminous sphere of influence with the District's boundaries (*San Bernardino County portion of the District only*). A copy of the LAFCO 3227 staff report is included as Attachment 2.

Los Angeles LAFCO

As referenced above, the Wrightwood CSD includes lands within both San Bernardino and Los Angeles Counties. San Bernardino is the "principal county". This determination is made based upon the County which contains the "greater portion of the entire assessed value" of taxable properties within the area.

In November 2011, San Bernardino LAFCO and Los Angeles LAFCO entered into a Memorandum of Understanding for exchange of principal county status for sphere of influence matters that cross county boundaries to the county where the sphere of influence territory is located. Los Angeles LAFCO expressed its intention to utilize the provisions of this MOU to address the proposed establishment of the Wrightwood CSD sphere in Los Angeles County following San Bernardino LAFCO's completion of this service review.

Because most of the service review-related data for Wrightwood is difficult to separate out for the San Bernardino and Los Angeles County portions of the community, it was agreed that San Bernardino LAFCO would play the lead role in completing the service review for the entire Wrightwood community. Accordingly, this service review has been drafted in close coordination with Los Angeles LAFCO staff, and their input and review have been important to its completion.

LOCATION:

The community of Wrightwood is generally located east and west of the Los Angeles/San Bernardino County line. The territory is generally east of Big Pines, south of the Phelan Pinon Hills community, and west and north of parcel lines. Highway 2 traverses the community in a general east/west direction.

The Wrightwood CSD comprises a total of approximately 16.98 square miles (10,866 acres). Of this, the San Bernardino County portion includes 13.75 square miles (8,802 acres), and the Los Angeles County portion includes 3.23 square miles (2,064 acres).

SERVICE REVIEW DETERMINATIONS:

Government Code Section 56430 requires that the Commission evaluate six determinations when conducting a service review and provide a written statement for each. The following provides an analysis of each of the six determinations.

Determination I.
Growth and Population Projections for the Affected Area

Wrightwood is a small, isolated community essentially nestled in a valley surrounded by forest lands. The total land area of the Wrightwood CSD comprises approximately 17 square miles (10,886 acres).

Within the San Bernardino County portion of the community, approximately 70 percent of the land is forest lands, 25 percent residential (both single family and multi-family) and five percent commercial. Land use planning and development entitlements within the San Bernardino County portion of the community are administered through the County of San Bernardino. According to the County's Land Use Service Department, the current General Plan land use designations are: Special Development Residential (SD-RES), Multiple Residential (RM), Single Residential (RS), Single Residential – 10,000 sq. ft. min. (RS-10M), Service Commercial (CS), General Commercial (CG), Neighborhood Commercial (CN), Floodway (FW), and Resource Conservation (RC). No territory is designated for agricultural land use.

Within the Los Angeles County portion of the community, approximately 61 percent of the land is forest lands, 21 percent rural residential, 17 percent rural commercial, and less than 1 percent designated for public use. Land use planning and development entitlements within the Los Angeles County portion of the community are administered through the Los Angeles County Department of Regional Planning. According to the LA County General Plan 2035, the current land use designations are: Rural Commercial (CR), National Forest (OS-NF), Public and Semi-Public (P), Rural Land 10 (RL 10), and Rural Land 20 (RL-20). No territory is designated for agricultural land use.

Population growth over the next five years is expected to be minimal. The CSD's 2018 population is estimated to be 4,978. In 2023, the CSD is projected to have a population of 5,145, an increase of 167 residents (0.66 percent) between 2018 and 2023.¹

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

No disadvantaged unincorporated communities (per the definition in Government Code Section 56033.5) are located within or contiguous to the Wrightwood CSD sphere of influence. No further analysis is required.

Determination III.
Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies ...

The Wrightwood CSD currently provides street lighting, park and recreation and solid waste disposal (through a contract with CR&R Waste and Recycling Services. The District has been providing these services for two years with a level determined by its finances. The

¹ Source: U.S. Census Bureau and ESRI forecasts.

District is authorized to provide wastewater services but is limited to planning and engineering services only.

Wrightwood is located at an elevation of approximately 6,000 feet above sea level and has no municipal sewer services. As a result, all development in this area requires Onsite Wastewater Treatment Systems ("OWTS" – septic tanks or package treatment plants). In response to the formation of the Wrightwood CSD in 2016 (LAFCO 3202), the Lahontan Water Board provided information on the community's wastewater issues.²

These are septic tanks for solids removal followed by sub-surface disposal, typically a seepage pit.³ The Lahontan Water Board has long desired that some form of common sewerage be implemented in Wrightwood to deal with problems that periodically arise. Options include centralized or de-centralized sewer collection, treatment, disposal, and OWTS maintenance.

OWTS failures have occurred in the older sections of Wrightwood with a high density of small lots. Failures have also occurred in years with elevated precipitation when shallow groundwater rises to the surface. Many underdeveloped lots do not meet the Water Board's minimum lot size for installing an OWTS.

The requirement for sewerage is not locally made – it is a requirement which may be imposed by a regional regulatory agency. The approval of LAFCO 3202 in 2017 authorized the CSD the function of wastewater (limited to planning of a regional sewer entity.) Recently formed in July 2017, the Wrightwood CSD is in its infancy and continues to work through the administrative, budgetary and service challenges common of any newly formed agency.

From LAFCO staff's perspective, for the CSD to take on an additional service at this time, especially one as complex and labor intensive as sewer, would be extremely challenging in the near term. However, the lack of a sanitary sewer system in Wrightwood is a core infrastructure deficiency and should remain a high level community concern.

The CSD is positioned to play a key role in coordinating with the Lahontan Board and representing the Wrightwood community on this issue. LAFCO staff encourages both parties to have ongoing communication and continue to inform the Wrightwood community on important sewer and water quality related issues. Should the CSD, at some point in the future, desire to actively provide wastewater collection and treatment service, it would be required to return to San Bernardino LAFCO for approval under the provisions outlined in Government Code Section 56824.10 et seq.

Additionally, roughly two and half miles to the west of the Wrightwood CSD in Los Angeles County is the Mountain High ski area, which has two wastewater treatment plants. The Lahontan Regional Board identified that an additional opportunity may be for a single

² Lahontan Water Board. Jehiel Cass for Mike Plaziak. Letter dated June 30, 2016.

³ A drilled or dug excavation three to six feet in diameter. It is also gravel filled but has a hollow core with a minimum depth below the inlet and receives effluent discharge for dispersal from a septic tank or other OTWS treatment unit.

system to encompass the Wrightwood community and Mountain High Resort. From LAFCO's staff view, a single sewer collection and treatment system for the entire Wrightwood/Mountain High Resort area has the potential to provide a long-term solution to the large community's sewer needs. The viability of this option should be explored in any sewer planning efforts for this area.

Determination IV.

Financial ability of agencies to provide services

The Wrightwood CSD is a nascent agency. Therefore, historical record is not the measure of fiscal health; rather, it is that of its current financial condition. In this case, the agency's financial ability to provide services is measured as of the end of the most recent fiscal year – June 30, 2019. A copy of the audit for FY 2018-19 is included as Attachment #3.

In a one-year comparison:

- Property tax revenues increased 7.0%.
- The increase in revenues resulted in an increase in cash and investments. This, coupled with a decrease in liabilities, results in a better liquidity position.
- Cash and cash equivalents (business-type funds) increased by 55.6%.
- Fund balance for Governmental Activities (parks and streetlights) decreased from \$45,311 to \$28,158.
- Cash and cash equivalents for Enterprise Activities increased from \$136,317 to \$212,066.

This service review does issue a few notes of caution. The most recent audit shows a marked increase in salaries and benefits as well as services and supplies. Should the District grow and these expenditures increase as well, the District should ensure that sufficient, sustainable revenues are able to fund the District's activities.

Determination V.

Status of, and opportunities for, shared facilities

As noted previously, the Wrightwood community is a small, isolated community surrounded by forest lands. This community's size and location severely limit opportunities for the CSD to share facilities with other agencies.

As mentioned in Determination III, a potential opportunity exists in the future to form a single wastewater collection and treatment system to encompass the Wrightwood and Mountain High communities. This option may involve sharing treatment capacity at the two wastewater treatment plants currently serving the Mountain High ski area. The viability of this option should be explored in any future sewer planning efforts for this area.

Determination VI.

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

Accountability for Community Service Needs

The Wrightwood CSD has a website that includes the names, email addresses and terms of the Board of Directors, a direct, standalone link to meeting agendas on its opening page, brief descriptions of CSD services, a calendar of community events and meetings, and Board adopted ordinances and resolutions. The website is electronically searchable. Meeting agendas are posted on the website at least 72 hours in advance of meetings. Agendas, staff reports, meeting minutes and audio recordings of Board meetings in 2019 are also available.

However, financial information (budgets, audits, and compensation) are not currently posted on the website. This information should be added to the website in the near future to increase agency transparency and accountability.

Governmental Structure and Operational Efficiencies

The Wrightwood Community Services District is governed by a five-member Board of Directors, elected at-large, by Wrightwood residents. Board members serve four-year, staggered terms. The current Board membership is shown in the table below.

Wrightwood CSD Board of Directors		
Board Member	Title	Term Expiration
Wes Zuber	President	2020
Leo Hordyk	Vice-President	2022
Chuck Franklin	Director	2020
Natalie Lopiccolo	Director	2020
Michelle Schneider	Director	2022

The Board meets the first Tuesday of every month at 6:30 p.m. in the Community Building located at 1275 Highway 2 in Wrightwood. Meeting agendas are posted at least 72 hours prior to the Board meetings in the Community Building, the Old Fire Station, the Hardware Store and on the CSD's website.

Just formed in July 2017, the Wrightwood CSD is in its infancy and continues to work through the administrative, budgetary and service challenges common of any newly formed agency. No additional governmental structure opportunities have been identified.

However, Wrightwood is located at an elevation of approximately 6,000 feet above sea level and has no municipal sewer services. The approval of the LAFCO 3202 in July 2017 authorized the CSD to provide wastewater services but specifically limited that service to planning and engineering services only. Should, in the future, a decision be made by the Lahontan Regional Water Quality Control Board to require municipal level sewer service in Wrightwood, the District is well positioned to play a key role in coordinating with the

Lahontan Board and representing the Wrightwood community on this issue. Should sewer service be required, the District may also be the logical long-term wastewater collection and treatment provider for the community.

REVIEW OF CONDITIONS OF APPROVAL FROM CSD FORMATION:

This service review also provides an opportunity to review key LAFCO conditions of approval applied to the Wrightwood CSD formation (LAFCO 3202):

Condition (summary)	Status
LAFCO Resolution 3227, Condition 11 (summary): Requires the Wrightwood CSD, as successor agency, to maintain any funds transferred from County Service Area 56 to the CSD for public use or purpose in separate accounts in accordance with Government Code Section 57462.	All funds from the former CSA 56 are marked for public use.
LAFCO Resolution 3227, Condition 14 (summary): Requires the Wrightwood CSD, as successor agency, to continue to pay the installment payments required for the development of the community's Skate Park and other improvements.	The CSD continues to pay the installment payments. The last payment occurs in 2020.

Additionally, due to the formation of the CSD (LAFCO 3202) the CSD was responsible for the election costs. To repay these costs, the CSD entered into an agreement with the San Bernardino County Registrar of Voters (ROV) for the repayment of costs related to services provided by the ROV to conduct the CSD's special formation election. The total costs advanced by the ROV was \$63,500. The note payable is to be repaid in six annual payments of \$10,584. There is no interest on the note payable.

ADDITIONAL DETERMINATIONS:

1. The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated his recommendation that LAFCO 3234 is statutorily exempt from the California Environmental Quality Act (CEQA). The recommendation is based on the finding that the service review is not judged to pose any adverse changes to the physical environment; therefore, the service review is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). A copy of Mr. Dodson's analysis is included as Attachment #4 to this report.
2. Legal notice of the Commission's consideration of the proposal has been provided through publication of a 1/8th page advertisement in *The Mountaineer*, a newspaper of general circulation in the area.
3. Individual notices were provided to all affected and interested agencies, County departments and those individuals and agencies requesting special notice.
4. The Commission will review and consider comments in making its determinations.

RECOMMENDATION:

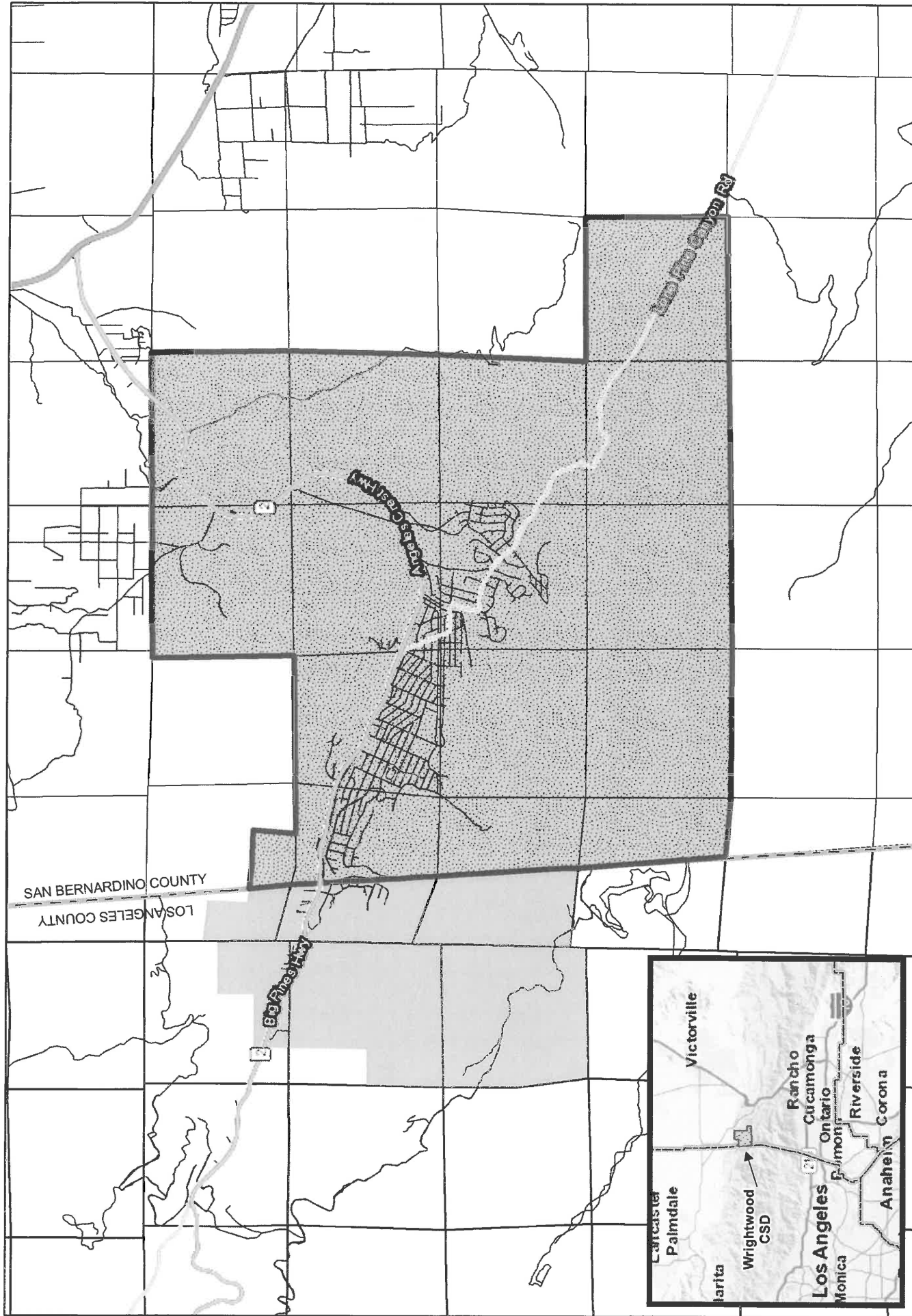
Staff recommends that the Commission take the actions outlined on Page 1.

Attachments:

1. Vicinity Map
2. Staff Report for LAFCO 3227 from July 2018
3. Audit for FY 2018-19
4. Environmental Recommendation from Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates
5. Draft LAFCO Resolution No. 3288

Vicinity Map

Attachment 1

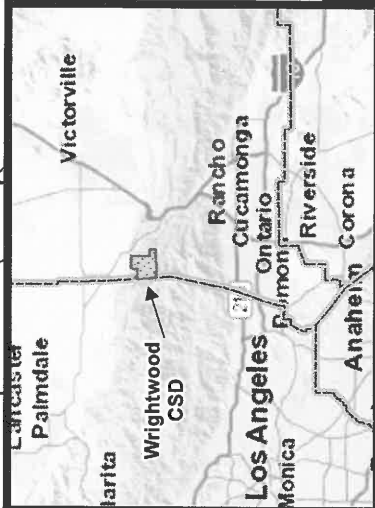


LAFCO 3234 - Current Boundary and Sphere of Influence for the Wrightwood Community Services District

- Wrightwood Community Services District
- Wrightwood Community Services District Sphere of Influence
- County line



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




**Staff Report for LAFCO 3227
from July 2018**

Attachment 2

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West Third Street, Unit 150, San Bernardino, CA 92415-0490
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www.sbclafco.org

DATE: JULY 11, 2018 
FROM: SAMUEL MARTINEZ, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM # 8 - LAFCO 3227 – Sphere of Influence
Establishment for the Wrightwood Community Services District
(within San Bernardino County)

INITIATED BY:

Local Agency Formation Commission for San Bernardino County

RECOMMENDATION:

Staff recommends that the Commission take the following actions related to the sphere of influence establishment for the Wrightwood Community Services District:

1. Certify that LAFCO 3227 is statutorily exempt from environmental review, and direct the Executive Officer to file a Notice of Exemption within five (5) days;
2. Confirm the authorized functions and services of the Wrightwood Community Services District as identified within the Commission's adopted "Rules and Regulations Affecting Special Districts";
3. Approve the sphere of influence establishment for the Wrightwood Community Services District as conterminous with the District's boundaries (*San Bernardino County portion of the District only*) as outlined in this report; and
4. Adopt LAFCO Resolution No. 3271 reflecting the Commission's determinations and findings for the sphere of influence establishment as identified.

BACKGROUND:

The community of Wrightwood is a small mountain community located in the Swarthout Valley in the eastern San Gabriel Mountains. At present, the community is located in Los Angeles and San Bernardino Counties and has population of approximately 4,510 residents (2012-2016 American Community Survey data). Wrightwood is generally located east of Big Pine, south of the Phelan-Piñon Hills Community Services District, and west and north of parcel lines. Highway 2 traverses the community in a general east/west direction.

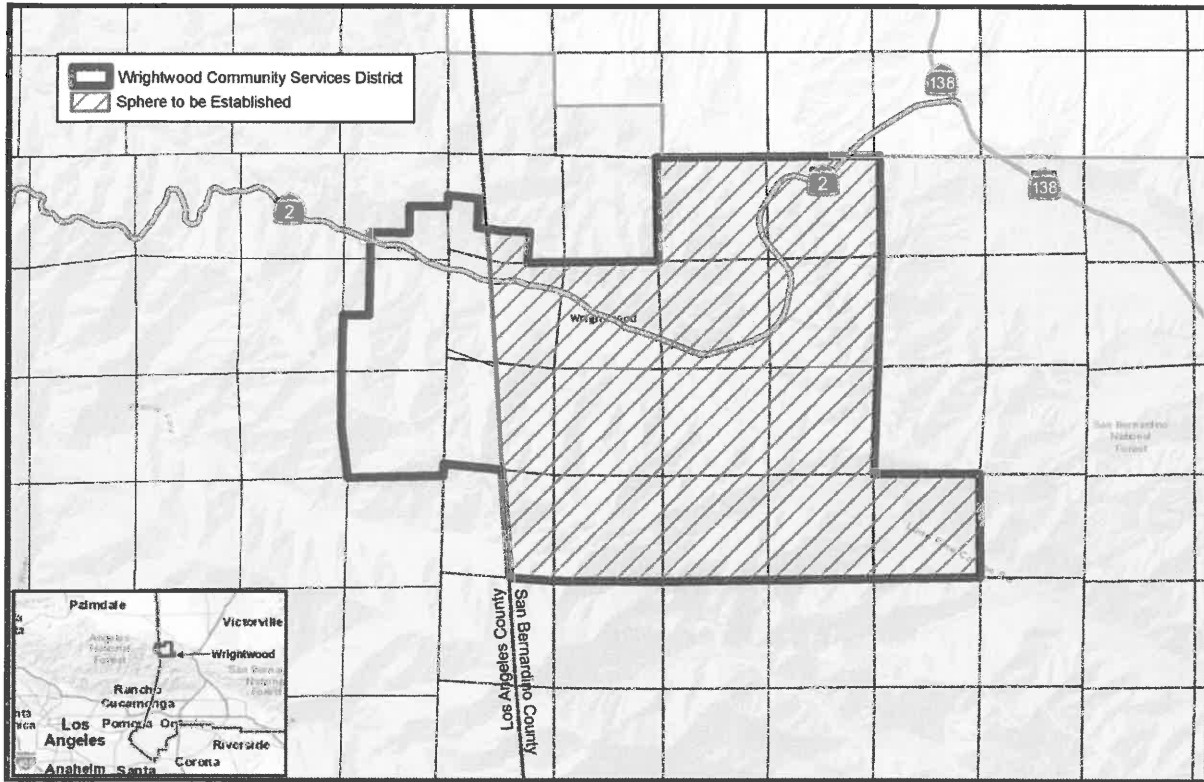
CSD Formation

On November 3, 2015, the Board of Supervisors for San Bernardino County initiated the formation of a community services district to provide for a single, multi-purpose special district to govern the Wrightwood community in both Los Angeles and San Bernardino Counties (LAFCO 3202). The Wrightwood Community Services District ("Wrightwood CSD" or "District") formation was approved by LAFCO on July 11, 2016 with the following functions and services as active powers: street lighting, parks and recreation, solid waste and recycling, and planning and engineering for wastewater service. Subsequently, the CSD formation was approved by Wrightwood voters on March 7, 2017 with an effective date of July 1, 2017.

Sphere Establishment within San Bernardino County

In the past, the Commission has generally established a sphere of influence for a newly formed agency within one year of its formation pursuant to the statutory direction identified in Government Code Section 56426.5(b). However, Section 56430(e) requires that the Commission, in conjunction with establishing a sphere of influence, also conduct a service review. Since its formation, the Wrightwood CSD has been addressing fiscal related issues. In order to have a better understanding of the District's finances, the Commission in April 2018, directed LAFCO staff to defer the service review until June 2019, while moving forward to establish the District's sphere of influence.

For new agencies, it has been the practice of the Commission to establish a sphere of influence coterminous with the agency's boundaries. This fulfills its requirement of establishing a sphere of influence for the newly formed agency within one year of its formation without obligating the agency to plan for the extension of its range of services beyond its existing boundaries. In this case, because the Wrightwood CSD's boundary extends beyond San Bernardino County into Los Angeles County, the sphere of influence establishment being proposed only addresses the Wrightwood CSD boundary within San Bernardino County (as shown on the map below). Therefore, LAFCO 3227 proposes to establish a sphere of influence for the Wrightwood CSD that is coterminous with its boundary in San Bernardino County.



Sphere Establishment within Los Angeles County

In November 2011 San Bernardino LAFCO and Los Angeles LAFCO entered into a Memorandum of Understanding for exchange of principal county status for sphere of influence matters that cross county boundaries to the county where the sphere of influence territory is located. Los Angeles LAFCO expressed its intention to utilize the provisions of this MOU to address the proposed establishment of the Wrightwood CSD sphere in Los Angeles County following San Bernardino LAFCO's completion of LAFCO 3227.

SPHERE OF INFLUENCE DETERMINATIONS:

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

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

The land area proposed to be included in the sphere of influence of the Wrightwood CSD (*San Bernardino County portion only*) comprises 8,801 acres. The Wrightwood community is essentially nestled in a valley surrounded by forest lands. Within the subject territory, approximately 70 percent of the land is forest lands, 25 percent residential (both single family and multi-family) and five percent commercial. Currently, there are approximately 2,650 residential units.

Land use planning and development entitlements within the Wrightwood CSD sphere of influence area under consideration are administered through the County of San Bernardino. According to the County's Land Use Services Department, the current County General Plan Land Use Designations for the sphere establishment area are: Special Development Residential (SD-RES), Multiple Residential (RM), Single Residential (RS), Single Residential – 10,000 sq. ft. min. (RS-10M), Service Commercial (CS), General Commercial (CG), Neighborhood Commercial (CN), Floodway (FW), and Resource Conservation (RC).

No agricultural land uses are designated within the subject sphere of influence territory.

According to the County's Land Use Services Department, there are not any known special land use concerns within the subject area.

Because a sphere of influence is a planning tool only, no land use changes are anticipated as a result of the proposed sphere establishment.

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

Present Need

The Wrightwood CSD currently provides street lighting, park and recreation and solid waste disposal (through a contract with CR&R Waste and Recycling Services). The District has been providing these services for one year with a level determined by its finances.

The District is also authorized to provide wastewater services, but is limited to planning and engineering services only.

Probable Need

Wrightwood is located at an elevation of approximately 6,000 feet above sea level and has no municipal sewer services. As a result, all development in this area requires Onsite Wastewater Treatment Systems ("OWTS" - septic tanks, package plants). By 2020, the developed area is anticipated to increase to 68% of the total service area, with 3,024 dwelling units. By 2050, the proportion of area developed is anticipated to grow to 88%, with 3,581 dwelling units.

In response to the formation of the Wrightwood Community Services District in 2016 (LAFCO 3202), the Lahontan Water Board provided information on the community's wastewater circumstance¹:

¹ Lahontan Water Board. Jehiel Cass for Mike Plaziak. Letter dated 30 June 2016.

These are septic tanks for solids removal followed by sub-surface disposal, typically a seepage pit². The Lahontan Water Board has long desired that some form of common sewerage be implemented in Wrightwood to deal with problems that periodically arise. Options include centralized or de-centralized sewer collection, treatment, and disposal, and OWTS maintenance.

OWTS failures have occurred in the older sections of Wrightwood with a high density of small lots. Failures have also occurred in years with elevated precipitation when shallow groundwater rises to the surface. Many underdeveloped lots do not meet the Water Board's minimum lot size for installing an OWTS.

The requirement for sewerage is not locally made - it is a requirement which may be imposed by a regional regulatory agency. The approval of LAFCO 3202 in 2017 authorized the CSD the function of wastewater (limited to planning of a regional sewer entity).

Just formed in July 2017, the Wrightwood CSD is in its infancy and continues to work through the administrative, budgetary and service challenges common of any newly formed agency. From LAFCO staff's perspective, for the CSD to take on an additional service at this time, especially one as complex and labor intensive as sewer, would be extremely challenging in the near term. However, the lack of a sanitary sewer system in Wrightwood is a core infrastructure deficiency and should remain a high level community concern.

The CSD is positioned to play a key role in coordinating with the Lahontan Board and representing the Wrightwood community on this issue. LAFCO staff encourages both parties to have ongoing communication and continue to inform the Wrightwood community on important sewer and water quality related issues. Should the CSD, at some point in the future, desire to actively provide wastewater collection and treatment service, it would be required to return to San Bernardino LAFCO for approval under the provisions outlined in Government Code Section 56824.10 et seq.

Additionally, roughly two and half miles to the west of the Wrightwood CSD in Los Angeles County is the Mountain High Ski Area, which has two wastewater treatment plants. The Lahontan Regional Board identified that an additional opportunity may be for a single system to encompass the Wrightwood and Mountain High communities. From LAFCO's staff view, a single sewer collection and treatment system for the entire Wrightwood/Mountain High area has the potential to provide a long-term solution to the larger community's sewer needs. The viability of this option should be explored in any sewer planning efforts for this area.

² A drilled or dug excavation three to six feet in diameter. It is also gravel filled but has a hollow core with a minimum depth below the inlet of feet and receives effluent discharge for dispersal from a septic tank or other OWTS treatment unit.

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

The Wrightwood CSD is able to adequately provide its authorized services: street lighting, park and recreation, solid waste disposal (through a contract with CR&R Waste and Recycling Services), and planning and engineering for wastewater services. No expansion of services will result from this proposed sphere of influence establishment.

In the event the Lahontan Regional Water Quality Control Board issues an order prohibiting wastewater discharge in the area, the District (given its wastewater planning function) will be the logical entity to ultimately provide wastewater collection and treatment services. This will require the District to return to LAFCO in order to activate its collection and treatment services under its wastewater function.

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

The Wrightwood community is a small, isolated mountain community located in the Angeles National Forest. As referenced earlier in this report, the community includes territory in both San Bernardino and Los Angeles Counties. Although this report addresses the establishment of a sphere of influence for the San Bernardino County portion of the Wrightwood CSD, formation of the CSD has provided a single, unifying form of governance which considers the social and economic interests of the entire Wrightwood community.

Services of the Agency:

Government Code Section 56425(i) requires that when adopting, amending, or updating a sphere of influence for a special district, the Commission is required to review and identify the range of services to be provided, as well as the nature and location of those services. At present, the Commission's Policy and Procedure Manual "Chapter 3 Listing of Special Districts within San Bernardino LAFCO -- Authorized Functions and Services" identifies the following services for the Wrightwood Community Services District:

Streetlighting – Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements (§61100(g)).

Park and Recreation – Acquire, construct, improve, maintain and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code (§61100(f)).

Solid Waste and Recycling -- Collect, transfer, and dispose of solid waste and refuse and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000) and consistent with Section 41821.2 of the Public Resources Code (§61100c).

Wastewater – Planning and engineering for the potential development of a regional wastewater treatment system should such be required by the Lahontan Regional Water Quality Control Board in the same manner as a sanitary district, formed pursuant to Sanitary District Act of 1923 Division 6 (commencing with Section 6400) of the Health and Safety Code (§61100b).

LAFCO staff recommends that the Commission confirm the authorized functions and services of the Wrightwood Community Services District as identified above.

ADDITIONAL DETERMINATIONS:

1. The Commission is the lead agency for review of the potential environmental consequences of the sphere of influence establishment. LAFCO staff has provided the Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, with the application materials for review. Mr. Dodson has indicated that the determination of a sphere establishment, which is a planning boundary, does not cause modification to the physical environment. Therefore, his recommendation is that the sphere establishment is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061(b)(3).
2. Legal notice of the Commission's consideration of the proposal has been provided through publication of a 1/8th page advertisement in *The Mountaineer*, a newspaper of general circulation in the area.
3. Individual notices were provided to all affected and interested agencies, County departments and those individuals and agencies requesting special notice.

CONCLUSION:

The Wrightwood CSD was officially formed on July 1, 2017. In the past, the Commission's past practice has been to establish a coterminous sphere of influence for new agencies within one year of formation (pursuant to the statutory direction identified in Government Code Section 56426.5(b)) in conjunction with completion of a service review (Government Code Section 56430(e)). To allow additional time for the Wrightwood CSD to stabilize its finances, the Commission deferred completion of the service review until July 2019.

Consistent with the Commission's past practices, staff recommends approval of a coterminous sphere of influence for the San Bernardino County portion of the Wrightwood CSD. A coterminous sphere, for this newly formed agency, will allow the District to focus its efforts within its current boundaries at this point in time.

Attachments:

1. Vicinity Map and Map of Proposed Sphere Establishment
2. Wrightwood CSD Application for Sphere of Influence Establishment
3. Staff Report for LAFCO 3202 from July 2016
4. Letter from Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates dated July 9, 2018
5. Draft LAFCO Resolution No. 3271

Audit for FY 2018-19

Attachment 3



**WRIGHTWOOD COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
June 30, 2019 and 2018**



WRIGHTWOOD COMMUNITY SERVICES DISTRICT
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June 30, 2019 and 2018

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& Business Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wrightwood Community Services District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wrightwood Community Services District, (the District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Board of Directors
Wrightwood Community Services District

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position governmental activities, business-type activities, and each major fund of the District as of June 30, 2019 and 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Board of Directors
Wrightwood Community Services District

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2019, on our consideration of the District'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 solely 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 District'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 District's internal control over financial reporting and compliance.

Eddie and Payne HP

August 5, 2019
Riverside, California

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 31,320	\$ 212,066	\$ 243,386
Accounts and other receivables, net	2,948	7,933	10,881
Prepaid expenses	7,819	718	8,537
Capital assets, net of accumulated depreciation	<u>579,711</u>	<u>1,832</u>	<u>581,543</u>
Total assets	<u>621,798</u>	<u>222,549</u>	<u>844,347</u>
Liabilities			
Accounts payables and accrued expenses	4,840	20,126	24,966
Accrued salaries and benefits	5,021	2,721	7,742
Customer deposits	4,068	-	4,068
Current portion of notes payable	32,158	5,292	37,450
Long-term portion of notes payable	<u>15,875</u>	<u>15,875</u>	<u>31,750</u>
Total liabilities	<u>61,962</u>	<u>44,014</u>	<u>105,976</u>
Net position			
Net investment in capital assets	552,845	1,832	554,677
Unrestricted	<u>6,991</u>	<u>176,703</u>	<u>183,694</u>
Total net position	<u>\$ 559,836</u>	<u>\$ 178,535</u>	<u>\$ 738,371</u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 45,403	\$ 136,317	\$ 181,720
Accounts receivable, net	4,634	2,691	7,325
Prepaid expenses	6,070	2,602	8,672
Capital assets, net of accumulated depreciation	602,339	1,572	603,911
Total assets	658,446	143,182	801,628
Liabilities			
Accounts payables and accrued expenses	7,614	27,989	35,603
Accrued salaries and benefits	3,182	1,364	4,546
Current portion of notes payable	37,083	10,583	47,666
Long-term portion of notes payable	48,033	21,167	69,200
Total liabilities	95,912	61,103	157,015
Net position			
Net investment in capital assets	548,973	1,572	550,545
Unrestricted	13,561	80,507	94,068
Total net position	\$ 562,534	\$ 82,079	\$ 644,613

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Expenses			
Solid waste disposal fees	\$ -	\$ 125,349	\$ 125,349
Professional services	32,742	31,889	64,631
Salaries and benefits	55,277	33,711	88,988
Recreation fees	7,750	-	7,750
Maintenance	24,025	111	24,136
Utilities	15,457	1,134	16,591
Insurance	6,589	4,387	10,976
Office expenses	7,679	16,169	23,848
Depreciation expense	27,495	890	28,385
Interest expense	500	-	500
Total expenses	<u>177,514</u>	<u>213,640</u>	<u>391,154</u>
Program revenues			
Special assessments	-	227,842	227,842
Franchise fees	-	82,254	82,254
Rental revenue	15,737	-	15,737
Recreation charges	19,100	-	19,100
Total program expenses	<u>34,837</u>	<u>310,096</u>	<u>344,933</u>
Net program revenues (expenses)	<u>(142,677)</u>	<u>96,456</u>	<u>(46,221)</u>
General revenues			
Property taxes	<u>139,979</u>	<u>-</u>	<u>139,979</u>
Total general revenues	<u>139,979</u>	<u>-</u>	<u>139,979</u>
Changes in net position	<u>(2,698)</u>	<u>96,456</u>	<u>93,758</u>
Net position at beginning of year	<u>562,534</u>	<u>82,079</u>	<u>644,613</u>
Net position at end of year	<u>\$ 559,836</u>	<u>\$ 178,535</u>	<u>\$ 738,371</u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Expenses			
Solid waste disposal fees	\$ -	\$ 113,585	\$ 113,585
Professional services	34,680	29,962	64,642
Salaries and benefits	24,830	19,135	43,965
Recreation fees	1,092	-	1,092
Maintenance	19,281	1,353	20,634
Utilities	17,246	1,692	18,938
Insurance	5,587	1,518	7,105
Office expenses	3,231	5,045	8,276
Election costs	31,750	31,750	63,500
Depreciation expense	26,743	524	27,267
Interest expense	688	-	688
Total expenses	<u>165,128</u>	<u>204,564</u>	<u>369,692</u>
Program revenues			
Special assessments	-	225,641	225,641
Franchise fees	-	61,002	61,002
Rental revenue	17,266	-	17,266
Recreation charges	5,011	-	5,011
Total program expenses	<u>22,277</u>	<u>286,643</u>	<u>308,920</u>
Net program revenues (expenses)	<u>(142,851)</u>	<u>82,079</u>	<u>(60,772)</u>
General revenues			
Property taxes	<u>130,212</u>	<u>-</u>	<u>130,212</u>
Total general revenues	<u>130,212</u>	<u>-</u>	<u>130,212</u>
Special items			
Special item	<u>575,173</u>	<u>-</u>	<u>575,173</u>
Change in net position	<u>562,534</u>	<u>82,079</u>	<u>644,613</u>
Net position at beginning of year	-	-	-
Net position at end of year	<u>\$ 562,534</u>	<u>\$ 82,079</u>	<u>\$ 644,613</u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS - PARKS & STREETLIGHTS
 June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 31,320	\$ 45,403
Accounts and other receivables, net	2,948	4,634
Prepaid expenses	<u>7,819</u>	<u>6,070</u>
Total assets	<u><u>\$ 42,087</u></u>	<u><u>\$ 56,107</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payables and accrued expenses	\$ 4,840	\$ 7,614
Accrued salaries and benefits	5,021	3,182
Customer deposits	<u>4,068</u>	<u>-</u>
Total liabilities	<u>13,929</u>	<u>10,796</u>
Fund balance		
Nonspendable - prepaid expenses	7,819	6,070
Unassigned	<u>20,339</u>	<u>39,241</u>
Total fund balance	<u>28,158</u>	<u>45,311</u>
 Total liabilities and fund balance	 <u><u>\$ 42,087</u></u>	 <u><u>\$ 56,107</u></u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHE
 TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
 June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Fund balances of governmental funds	\$ 28,158	\$ 45,311
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.	579,711	602,339
Long-term debt has not been included as a liability in governmental fund activity:		
Notes payable	<u>(48,033)</u>	<u>(85,116)</u>
Net position of governmental activities	<u>\$ 559,836</u>	<u>\$ 562,534</u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE:
GOVERNMENTAL FUNDS - PARKS & STREETLIGHTS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes	\$ 139,979	\$ 130,212
Rental revenue	15,737	17,266
Recreation charges	<u>19,100</u>	<u>5,011</u>
Total operating revenue	<u>174,816</u>	<u>152,489</u>
Expenditures		
Current		
Professional services	32,742	34,680
Salaries and benefits	55,277	24,830
Recreation fees	7,750	1,092
Maintenance	24,025	19,281
Utilities	15,457	17,246
Insurance	6,589	5,587
Office expenses	7,679	3,231
Capital outlay	4,867	-
Debt service		
Principal and interest expense	<u>37,583</u>	<u>27,000</u>
Total expenditures	<u>191,969</u>	<u>132,947</u>
Excess of revenues over (under) expenditures	<u>(17,153)</u>	<u>19,542</u>
Special Item		
Special item	<u>-</u>	<u>25,769</u>
Net change in fund balances	<u>(17,153)</u>	<u>45,311</u>
Fund balance, beginning of year	<u>45,311</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 28,158</u></u>	<u><u>\$ 45,311</u></u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net change in fund balances - total governmental funds	\$ (17,153)	\$ 45,311
Amounts reported for governmental activities in the Statement of Activities are different because:		
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year, net of disposals.		
Capital outlay	4,867	-
Depreciation expense	(27,495)	(26,743)
In the statement of activities, only interest on long term notes payable is reported. However, in the governmental funds, principal payments decrease financial resources. Thus the change in net assets differs from the change in fund balance by the principal, as well as, issuance of debt.		
Debt service principal payments	37,083	26,312
Election costs financed by issuance of note payable are not reported in the governmental funds.		
Election costs	-	(31,750)
Special item related to the transfer of capital assets and the related long-term debt from the County of San Bernardino that has not been included in governmental fund activity.		
Special item	<u>-</u>	<u>549,404</u>
Changes in net position of governmental activities	<u>\$ (2,698)</u>	<u>\$ 562,534</u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (ENTERPRISE)
 June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 212,066	\$ 136,317
Accounts receivable, net	7,933	2,691
Prepaid expenses	<u>718</u>	<u>2,602</u>
Total Current Assets	<u>220,717</u>	<u>141,610</u>
Non Current Assets		
Capital Assets		
Equipment	3,246	2,096
Less accumulated depreciation	<u>(1,414)</u>	<u>(524)</u>
Total Non Current Assets	<u>1,832</u>	<u>1,572</u>
Total Assets	<u><u>\$ 222,549</u></u>	<u><u>\$ 143,182</u></u>
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 20,126	\$ 27,989
Accrued salaries and benefits	2,721	1,364
Current portion of notes payable	<u>5,292</u>	<u>10,583</u>
Total Current Liabilities	<u>28,139</u>	<u>39,936</u>
Noncurrent Liabilities		
Notes payable	<u>15,875</u>	<u>21,167</u>
Total liabilities	<u>44,014</u>	<u>61,103</u>
Net position		
Net investment in capital assets	1,832	1,572
Unrestricted	<u>176,703</u>	<u>80,507</u>
Total net position	<u>178,535</u>	<u>82,079</u>
Total liabilities and net position	<u><u>\$ 222,549</u></u>	<u><u>\$ 143,182</u></u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS (ENTERPRISE)
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenue		
Special assessments	\$ 227,842	\$ 225,641
Franchise fees	<u>82,254</u>	<u>61,002</u>
Total operating revenue	<u>310,096</u>	<u>286,643</u>
Operating Expenses		
Solid waste disposal fees	125,349	113,585
Professional services	31,889	29,962
Salaries and benefits	33,711	19,135
Maintenance	111	1,353
Utilities	1,134	1,692
Insurance	4,387	1,518
Office expenses	16,169	5,045
Depreciation	<u>890</u>	<u>524</u>
Total operating expenses	<u>213,640</u>	<u>172,814</u>
Operating income	<u>96,456</u>	<u>113,829</u>
Non-Operating Expenses		
Election Costs	<u>-</u>	<u>31,750</u>
Change in net position	<u>96,456</u>	<u>82,079</u>
Net position at beginning of year	<u>82,079</u>	<u>-</u>
Net position at end of year	<u><u>\$ 178,535</u></u>	<u><u>\$ 82,079</u></u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (ENTERPRISE)
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Receipts from customers and others	\$ 304,854	\$ 283,952
Payments to vendors for materials and services	(185,018)	(127,768)
Payments to employees for salaries and benefits	(32,354)	(17,771)
Net cash provided by operating activities	<u>87,482</u>	<u>138,413</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(1,150)	(2,096)
Net cash flows used by capital activities	<u>(1,150)</u>	<u>(2,096)</u>
Cash Flows from Noncapital Financing Activities		
Principal payments on notes payable	(10,583)	-
Net cash flows used by financing activities	<u>(10,583)</u>	<u>-</u>
Net increase in cash and cash equivalents	75,749	136,317
Cash and cash equivalents-Beginning of Year	<u>136,317</u>	<u>-</u>
Cash and cash equivalents-End of Year	<u>\$ 212,066</u>	<u>\$ 136,317</u>
Reconciliation of Operating Income to		
Net Cash Provided (Used) by Operating Activities		
Operating income	\$ 96,456	\$ 113,829
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	890	524
Change in Assets and Liabilities		
(Increase) Decrease in accounts receivable	(5,242)	(2,691)
(Increase) Decrease in prepaid expense	1,884	(2,602)
Increase (Decrease) in accounts payable	(7,863)	27,989
Increase (Decrease) in accrued salaries and benefits	<u>1,357</u>	<u>1,364</u>
Net cash provided by operating activities	<u>\$ 87,482</u>	<u>\$ 138,413</u>

The accompanying notes are an integral part of the financial statements.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Wrightwood Community Services District (District) was established by an action of the LAFCO for San Bernardino County which was a reorganization that included the formation of Wrightwood Community Services District and the dissolution of County Service Area 56.

The District was formed to provide the following services:

Street Lighting - Acquire, construct, improve, maintain and operate street lighting and landscaping on public property, public right-of-ways, and public easements.

Park and Recreation - Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law of the Public Resources Code.

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

Wastewater (Currently inactive) - Planning and engineering for the potential development of a regional wastewater treatment system should such be required by the Lahontan Regional Water Quality Control Board in the same manner as a sanitary district, formed pursuant to Sanitary District Act of 1923 Division 6 of the Health and Safety Code.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the expenses of a given function or segment are offset by program revenues. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statements presentation (continued)

Separate financial statements are provided from governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the District does not have fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in 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 District.

The District reports the following major governmental funds:

Parks & Streetlights Fund - provides park and recreation services along with one community center and one senior center for the community of Wrightwood. Additionally, accounts for financial resources to provide and maintain streetlights and landscaping on public property within the community of Wrightwood.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statements presentation

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major proprietary funds:

Solid Waste Fund – accounts for the funds received and expended for the District's solid waste and recycling services.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". The District does not have any interfund receivables or payables at June 30, 2019.

Property and Special Assessment Taxes

Secured property taxes and special assessment are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on March 1 and become delinquent with penalties on August 31.

Accounts receivable

No allowance for uncollectibles was recorded at June 30, 2019 and 2018, based on management's expectation that all accounts receivable will be collected.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include land, improvements to land, structure and improvements, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with have an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation in accordance with GASB Statement No. 72.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvement are capitalized as projects are constructed.

Depreciable capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements to land	20-45
Structure and improvements	45
Equipment	3-15

Fund Equity

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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. The following classification describes the relative strength of the spending constraints placed on the purpose for which the resources can be used:

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity (continued)

- *Nonspendable Fund Balance:* Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash.
- *Restricted Fund Balance:* Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provision or enabling legislation.
- *Committed Fund Balance:* Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the District's highest level of decision making authority (the board of Directors). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
- *Assigned Fund Balance:* Amounts are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority.
- *Unassigned Fund Balance:* The unassigned fund balance has net resources in excess of what can properly be classified in one of the four categories already described.

When both restricted and unrestricted resources are available for use when expenditure is incurred, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. It is the District's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt and Interest Payable

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. In the Fund Financial Statements, with the exception of advances from other funds, long-term liabilities are not presented. Consequently, long term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities. In the Fund Financial Statements, only propriety fund types recognize the interest payable when the liability is incurred.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the Government-Wide Financial Statements, net position are classified in the following categories:

- *Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.
- *Restricted Net Position* is restricted by external creditors, grantors, contributors, laws or regulations of other governments.
- *Unrestricted Net Position* is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

2. CASH AND CASH EQUIVALENTS

The District at times maintains deposits with financial institutions in excess of federal depository insurance limits. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the District's cash on deposit or first trust deed mortgage notes with a market value of 150 percent of the deposit as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the District's name and places it ahead of general creditors of the institution.

At June 30, 2019 and 2018, the carrying amount of the District's deposits were \$243,386 and \$181,720, respectively, and the bank balances were \$259,091 and \$182,282, respectively. The District has cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and the remaining balance is collateralized in accordance with the California Government Code.

3. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2019 and 2018, was as follows:

2019 Governmental Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Total capital assets, not being depreciated	185,000	-	-	185,000
Capital assets, being depreciated:				
Improvements to land	523,634	-	-	523,634
Structures and improvements	166,016	-	-	166,016
Furniture and Equipment	-	4,867	-	4,867
Total capital assets, being depreciated	689,650	4,867	-	694,517
Less accumulated depreciation for:				
Improvements to land	(158,495)	(23,717)	-	(182,212)
Structures and improvements	(113,816)	(2,967)	-	(116,783)
Furniture and equipment	-	(811)	-	(811)
Total accumulated depreciation	(272,311)	(27,495)	-	(299,806)
Total capital assets, being depreciated, net	417,339	(22,628)	-	394,711
Total capital assets, net	\$ 602,339	\$ (22,628)	\$ -	\$ 579,711

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

3. CAPITAL ASSETS (Continued)

2019 Business-Type Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Equipment	\$ 2,096	\$ 1,150	\$ -	\$ 3,246
Less accumulated depreciation for:				
Equipment	(524)	(890)	-	(1,414)
Total capital assets, being depreciated, net	<u>\$ 1,572</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 1,832</u>

2018 Governmental Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ -	\$ 185,000	\$ -	\$ 185,000
Total capital assets, not being depreciated	<u>-</u>	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Capital assets, being depreciated:				
Improvements to land	-	523,634	-	523,634
Structures and improvements	-	166,016	-	166,016
Furniture and Equipment	-	-	-	-
Total capital assets, being depreciated	<u>-</u>	<u>689,650</u>	<u>-</u>	<u>689,650</u>
Less accumulated depreciation for:				
Improvements to land	-	(158,495)	-	(158,495)
Structures and improvements	-	(113,816)	-	(113,816)
Furniture and equipment	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>(272,311)</u>	<u>-</u>	<u>(272,311)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>417,339</u>	<u>-</u>	<u>417,339</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 602,339</u>	<u>\$ -</u>	<u>\$ 602,339</u>

2018 Business-Type Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated:				
Equipment	\$ -	\$ 2,096	\$ -	\$ 2,096
Less accumulated depreciation for:				
Equipment	-	(524)	-	(524)
Total capital assets, being depreciated, net	<u>\$ -</u>	<u>\$ 1,572</u>	<u>\$ -</u>	<u>\$ 1,572</u>

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

4. NOTES PAYABLE

Prior to the reorganization of CSA 56 Wrightwood into the District, the CSA's County's Revolving Fund entered into an agreement with CSA 56 Wrightwood under government code 26909 to provide funding for specific capital projects. The County's Revolving Fund advanced the amount of \$200,000 to cover cost of this project. The note payable was to be repaid in 7 years beginning with a payment of \$42,000 during the year ending June 30, 2014, followed by six annual payments of \$27,000 including interest. Interest is calculated at the rate of the County pool funds. Upon the reorganization, the note payable was transferred to the District with the same terms intact.

The District entered into an agreement with the San Bernardino County Registrar of Voters (SBCRV) for the repayment of costs related to services provided by SBCRV to conduct the District's special formation election. The total amount of the costs advanced by SBCRV was \$63,500. The note payable is to be repaid in six annual payments of \$10,584. There is no interest on the note payable.

The note payable balances reported in the Statement of Net Position at June 30, 2019 and 2018 were as follows:

	Principal Balance 7/1/2018	Additions	Retirements	Principal Balance 6/30/2019	Amounts Due Within One Year
District Revolving	\$ 53,366	\$ -	\$ (26,500)	\$ 26,866	\$ 26,866
SBC Registrar of Voters	63,500	-	(21,166)	42,334	10,584
	<u>\$ 116,866</u>	<u>\$ -</u>	<u>\$ (47,666)</u>	<u>\$ 69,200</u>	<u>\$ 37,450</u>

	Principal Balance 7/1/2017	Additions	Retirements	Principal Balance 6/30/2018	Amounts Due Within One Year
District Revolving	\$ -	\$ 79,678	\$ (26,312)	\$ 53,366	\$ 26,500
SBC Registrar of Voters	-	63,500	-	63,500	21,166
	<u>\$ -</u>	<u>\$ 143,178</u>	<u>\$ (26,312)</u>	<u>\$ 116,866</u>	<u>\$ 47,666</u>

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

4. NOTES PAYABLE (Continued)

Debt services requirements to maturity for the notes payable as of June 30, 2019 are as follows:

	GOVERNMENTAL PRINCIPAL	BUSINESS-TYPE PRINCIPAL	GOVERNMENTAL INTEREST	TOTAL
2020	\$ 32,158	\$ 5,292	\$ 135	\$ 37,585
2021	5,292	5,292	-	10,584
2022	5,292	5,292	-	10,584
2023	5,291	5,291	-	10,582
TOTALS	\$ 48,033	\$ 21,167	\$ 135	\$ 69,335

5. SPECIAL ITEM

The District was established on July 1, 2017, by an action of the LAFCO for San Bernardino County which was a reorganization that included the formation of Wrightwood Community Services District and the dissolution of County Service Area 56. As a part of the reorganization, County Service Area 56 was to transfer its remainder cash, real and personal property and any liabilities related to said property to the District. The cash, property and related liabilities transferred to the District as of June 30, 2018 are as follows:

	AMOUNT
Cash	\$ 25,769
Capital Assets	629,082
District Revolving Loan	(79,678)
	<u>\$ 575,173</u>

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the District participates in a public entity risk pool provided by the Special District Risk Management Authority (SDRMA) which provides coverage for property/liability claims and workers' compensation claims. Upon joining the SDRMA, the District signed a participation agreement which outlines the rights and responsibilities of both the SDRMA and the District. The agreement states that for premiums paid by the District, the SDRMA will assume financial responsibility for the District's losses up to the maximum amount of insurance purchased, minus the District's deductible amounts. The SDRMA provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the SDRMA to protect against large, catastrophic claims above the losses the SDRMA retains internally for payment from the pooled contributions of its members.

WRIGHTWOOD COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

7. CONTINGENCIES

As of June 30, 2019, in the opinion of the District, there are no outstanding matters which would have a significant effect of the financial position of the District.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 5, 2019, which is the date the financial statements were available to be issued. No events occurred through this date requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE-GENERAL

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 121,014	\$ 121,014	\$ 139,979	\$ 18,965
Rental revenue	15,000	15,000	15,737	737
Recreation charges	<u>3,140</u>	<u>3,140</u>	<u>19,100</u>	<u>15,960</u>
Total revenues	<u>139,154</u>	<u>139,154</u>	<u>174,816</u>	<u>35,662</u>
Expenditures				
Current				
Professional services	22,200	22,200	32,742	(10,542)
Salaries and benefits	44,140	44,140	55,277	(11,137)
Recreation fees	7,500	7,500	7,750	(250)
Maintenance	43,000	43,000	24,025	18,975
Utilities	12,900	12,900	15,457	(2,557)
Insurance	6,409	6,409	6,589	(180)
Office expenses	13,743	13,743	7,679	6,064
Capital outlay	-	-	4,867	(4,867)
Principal and interest expense	<u>27,000</u>	<u>27,000</u>	<u>37,583</u>	<u>(10,583)</u>
Total expenditures	<u>176,892</u>	<u>176,892</u>	<u>191,969</u>	<u>(15,077)</u>
Excess of revenues over (under) expenditures	<u>(37,738)</u>	<u>(37,738)</u>	<u>(17,153)</u>	<u>20,585</u>
Net change in fund balance	<u>(37,738)</u>	<u>(37,738)</u>	<u>(17,153)</u>	<u>20,585</u>
Fund balance, beginning			<u>45,311</u>	
Fund balance, ending			<u>\$ 28,158</u>	

**Environmental
Recommendation from
Commission's Environmental
Consultant, Tom Dodson of
Tom Dodson and Associates**

Attachment 4

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



October 7, 2019

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

Dear Sam:

The Local Agency Formation Commission (LAFCO) is considering LAFCO 3234, a service review for the Wrightwood Community Services District (District). The District's study area encompasses approximately 17 square miles along the Angeles Crest Highway (State Route 2) east and west of the Los Angeles and San Bernardino County line. The area is located east of the unincorporated community of Big Pines and west of State Route 138 in the Angeles National Forest, which is the area generally identified as the community of Wrightwood.

The LAFCO Staff has requested that the LAFCO 3234 undergo review under the California Environmental Quality Act (CEQA) even though these reviews are only received and filed by the Commissioners. Service reviews consist of an action that has no potential to modify the physical environment. Only when specific actions are considered by the Commission in the future are actual decisions considered that could have potential effects on the physical environment.

Therefore, after careful review of LAFCO 3234, I am recommending that the Commission consider the adoption of a "Common Sense" Statutory Exemption. I recommend that the Commission find that a Statutory Exemption (as defined in CEQA) applies to LAFCO 3234 under Section 15061 (b) (3) of the State CEQA Guidelines, which states: "*A project is exempt from CEQA if: the activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.*" It is my opinion, and recommendation to the Commission, that this circumstance applies to LAFCO 3234, Service Review for the Wrightwood Community Services District.

Based on this review of the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that the upcoming Service Review for the Wrightwood Community Services District does not constitute a project under CEQA and adoption of the common sense exemption and filing of a Notice of Exemption is the most appropriate environmental determination to comply with CEQA for this action. The Commission can approve the review and findings for this action and I recommend that you notice the LAFCO 3234, Service Review for the Wrightwood Community Services District, as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline (2019) sections cited above. The Commission needs to file a Notice of Exemption with the County Clerk to the Board for this action once the hearing is completed.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Dodson". The signature is written in a cursive, slightly slanted style.

Tom Dodson

TD/cmc

LA-982/LAFCO 3224 NOE Memo

**Draft LAFCO Resolution
No. 3288**

Attachment 5

**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 3234

HEARING DATE: OCTOBER 16, 2019

RESOLUTION NO. 3288

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3234 – SERVICE REVIEW FOR THE WRIGHTWOOD COMMUNITY SERVICES DISTRICT

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

WHEREAS, a service review mandated by Government Code 56430 has been conducted by the Local Agency Formation Commission for San Bernardino County (hereinafter referred to as “the Commission”) in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and,

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

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

WHEREAS, a public hearing by this Commission was called for October 16, 2019 at the time and place specified in the notice of public hearing and in any order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written support and opposition; the Commission considered all objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the service review, in evidence presented at the hearing; and,

WHEREAS, at this hearing, this Commission certified that the service review is statutorily exempt from environmental review pursuant to the provisions of the California Environmental Quality Act (CEQA) and such exemption was adopted by this Commission on October 16, 2019. The Commission directed its Executive Officer to file a Notice of Exemption within five working days of its adoption; and,

WHEREAS, the determinations required by Government Code Section 56430 and local

RESOLUTION NO. 3288

Commission policy are included in the report prepared and submitted to the Commission dated October 9, 2019 and was recommended for acceptance and filing by the Commission on October 16, 2019, a complete copy the service review is on file in the LAFCO office.

WHEREAS, the following determinations are made in conformance with Government Code Section 56430 and local Commission policy:

Determination I. **Growth and Population Projections for the Affected Area**

Wrightwood is a small, isolated community essentially nestled in a valley surrounded by forest lands. The total land area of the Wrightwood CSD comprises approximately 17 square miles (10,886 acres). Population growth over the next five years is expected to be minimal. The CSD's 2018 population is estimated to be 4,978. In 2023, the CSD is projected to have a population of 5,145, an increase of 167 residents (0.66 percent) between 2018 and 2023.

Within the San Bernardino County portion of the community, approximately 70 percent of the land is forest lands, 25 percent residential (both single family and multi-family) and five percent commercial. Land use planning and development entitlements within the San Bernardino County portion of the community are administered through the County of San Bernardino. According to the County's Land Use Service Department, the current General Plan land use designations are: Special Development Residential (SD-RES), Multiple Residential (RM), Single Residential (RS), Single Residential – 10,000 sq. ft. min. (RS-10M), Service Commercial (CS), General Commercial (CG), Neighborhood Commercial (CN), Floodway (FW), and Resource Conservation (RC). No territory is designated for agricultural land use.

Within the Los Angeles County portion of the community, approximately 61 percent of the land is forest lands, 21 percent rural residential, 17 percent rural commercial, and less than 1 percent designated for public use. Land use planning and development entitlements within the Los Angeles County portion of the community are administered through the Los Angeles County Department of Regional Planning. According to the LA County General Plan 2035, the current land use designations are: Rural Commercial (CR), National Forest (OS-NF), Public and Semi-Public (P), Rural Land 10 (RL 10), and Rural Land 20 (RL-20). No territory is designated for agricultural land use.

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

No disadvantaged unincorporated communities (per the definition in Government Code Section 56033.5) are located within or contiguous to the Wrightwood CSD sphere of influence.

Determination III. **Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies ...**

The Wrightwood CSD currently provides street lighting, park and recreation and solid waste disposal (through a contract with CR&R Waste and Recycling Services. The District has been providing these services for two years with a level determined by its finances. The District is

RESOLUTION NO. 3288

authorized to provide wastewater services but is limited to planning and engineering services only.

Wrightwood is located at an elevation of approximately 6,000 feet above sea level and has no municipal sewer services. As a result, all development in this area requires Onsite Wastewater Treatment Systems ("OWTS" – septic tanks or package treatment plants). In response to the formation of the Wrightwood CSD in 2016 (LAFCO 3202), the Lahontan Water Board provided information on the community's wastewater issues.

These are septic tanks for solids removal followed by sub-surface disposal, typically a seepage pit. The Lahontan Water Board has long desired that some form of common sewerage be implemented in Wrightwood to deal with problems that periodically arise. Options include centralized or de-centralized sewer collection, treatment, disposal, and OWTS maintenance.

OWTS failures have occurred in the older sections of Wrightwood with a high density of small lots. Failures have also occurred in years with elevated precipitation when shallow groundwater rises to the surface. Many underdeveloped lots do not meet the Water Board's minimum lot size for installing an OWTS.

The requirement for sewerage is not locally made – it is a requirement which may be imposed by a regional regulatory agency. The approval of LAFCO 3202 in 2017 authorized the CSD the function of wastewater (limited to planning of a regional sewer entity.) Recently formed in July 2017, the Wrightwood CSD is in its infancy and continues to work through the administrative, budgetary and service challenges common of any newly formed agency.

The Commission determines that if the CSD were to take on an additional service at this time, especially one as complex and labor intensive as sewer, it would be extremely challenging in the near term. However, the lack of a sanitary sewer system in Wrightwood is a core infrastructure deficiency and should remain a high level community concern.

The CSD is positioned to play a key role in coordinating with the Lahontan Board and representing the Wrightwood community on this issue. The Commission encourages both parties to have ongoing communication and continue to inform the Wrightwood community on important sewer and water quality related issues. Should the CSD, at some point in the future, desire to actively provide wastewater collection and treatment service, it would be required to return to San Bernardino LAFCO for approval under the provisions outlined in Government Code Section 56824.10 et seq.

Additionally, roughly two and half miles to the west of the Wrightwood CSD in Los Angeles County is the Mountain High ski area, which has two wastewater treatment plants. The Lahontan Regional Board identified that an additional opportunity may be for a single system to encompass the Wrightwood community and Mountain High resort. From the Commission's view, a single sewer collection and treatment system for the entire Wrightwood/Mountain High Resort area has the potential to provide a long-term solution to the large community's sewer needs. The viability of this option should be explored in any sewer planning efforts for this area.

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Determination IV.

Financial ability of agencies to provide services

The Wrightwood CSD is a nascent agency. Therefore, historical record is not the measure of fiscal health; rather, it is that of its current financial condition. In this case, the agency's financial ability to provide services is measured as of the end of the most recent fiscal year – June 30, 2019.

In a one-year comparison:

- Property tax revenues increased 7.0%.
- The increase in revenues resulted in an increase in cash and investments. This, coupled with a decrease in liabilities, results in a better liquidity position.
- Cash and cash equivalents (business-type funds) increased by 55.6%.
- Fund balance for Governmental Activities (parks and streetlights) decreased from \$45,311 to \$28,158.
- Cash and cash equivalents for Enterprise Activities increased from \$136,317 to \$212,066.

This service review does issue a few notes of caution. The most recent audit shows a marked increase in salaries and benefits as well as services and supplies. Should the District grow and these expenditures increase as well, the District should ensure that sufficient, sustainable revenues are able to fund the District's activities.

Determination V.

Status of, and opportunities for, shared facilities

As noted previously, the Wrightwood community is a small, isolated community surrounded by forest lands. This community's size and location severely limit opportunities for the CSD to share facilities with other agencies.

As mentioned in Determination III, a potential opportunity exists in the future to form a single wastewater collection and treatment system to encompass the Wrightwood and Mountain High communities. This option may involve sharing treatment capacity at the two wastewater treatment plants currently serving the Mountain High ski area. The viability of this option should be explored in any future sewer planning efforts for this area.

Determination VI.

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

Accountability for Community Service Needs

The Wrightwood CSD has a website that includes the names, email addresses and terms of the Board of Directors, a direct, standalone link to meeting agendas on its opening page, brief

RESOLUTION NO. 3288

descriptions of CSD services, a calendar of community events and meetings, and Board adopted ordinances and resolutions. The website is electronically searchable. Meeting agendas are posted on the website at least 72 hours in advance of meetings. Agendas, staff reports, meeting minutes and audio recordings of Board meetings in 2019 are also available.

However, financial information (budgets, audits, and compensation) are not currently posted on the website. This information should be added to the website in the near future to increase agency transparency and accountability.

Governmental Structure and Operational Efficiencies

The Wrightwood Community Services District is governed by a five-member Board of Directors, elected at-large, by Wrightwood residents. Board members serve four-year, staggered terms. The current Board membership is shown in the table below.

Wrightwood CSD Board of Directors		
Board Member	Title	Term Expiration
Wes Zuber	President	2020
Leo Hordyk	Vice-President	2022
Chuck Franklin	Director	2020
Natalie Lopiccolo	Director	2020
Michelle Schneider	Director	2022

The Board meets the first Tuesday of every month at 6:30 p.m. in the Community Building located at 1275 Highway 2 in Wrightwood. Meeting agendas are posted at least 72 hours prior to the Board meetings in the Community Building, the Old Fire Station, the Hardware Store and on the CSD's website.

Just formed in July 2017, the Wrightwood CSD is in its infancy and continues to work through the administrative, budgetary and service challenges common of any newly formed agency. No additional governmental structure opportunities have been identified.

However, Wrightwood is located at an elevation of approximately 6,000 feet above sea level and has no municipal sewer services. The approval of the LAFCO 3202 in July 2017 authorized the CSD to provide wastewater services but specifically limited that service to planning and engineering services only. Should, in the future, a decision be made by the Lahontan Regional Water Quality Control Board to require municipal level sewer service in Wrightwood, the District is well positioned to play a key role in coordinating with the Lahontan Board and representing the Wrightwood community on this issue. Should sewer service be required, the District may also be the logical long-term wastewater collection and treatment provider for the community.

REVIEW OF CONDITIONS OF APPROVAL FROM CSD FORMATION:

This service review also provides an opportunity to review key LAFCO conditions of approval applied to the Wrightwood CSD formation (LAFCO 3202):

RESOLUTION NO. 3288

Condition (summary)	Status
LAFCO Resolution 3227, Condition 11 (summary): Requires the Wrightwood CSD, as successor agency, to maintain any funds transferred from County Service Area 56 to the CSD for public use or purpose in separate accounts in accordance with Government Code Section 57462.	All funds from the former CSA 56 are marked for public use.
LAFCO Resolution 3227, Condition 14 (summary): Requires the Wrightwood CSD, as successor agency, to continue to pay the installment payments required for the development of the community's Skate Park and other improvements.	The CSD continues to pay the installment payments. The last payment occurs in 2020.

Additionally, due to the formation of the CSD (LAFCO 3202) the CSD was responsible for the election costs. To repay these costs, the CSD entered into an agreement with the San Bernardino County Registrar of Voters (ROV) for the repayment of costs related to services provided by the ROV to conduct the CSD's special formation election. The total costs advanced by the ROV was \$63,500. The note payable is to be repaid in six annual payments of \$10,584. There is no interest on the note payable.

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

- As required by State Law, notice of the hearing was provided through publication in a newspaper of general circulation within the area, the *Mountaineer*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in State Law and Commission Policy, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.
- As required by State law, individual notification of the hearing was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission for San Bernardino County, State of California, that this Commission shall accept and file the Service Review for Wrightwood Community Services District which sets forth the written statements for the six determinations outlined in Government Code Section 56430 as presented at the hearing.

RESOLUTION NO. 3288

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

AYES: COMMISSIONERS: Bagley, Cox, Curatalo, Lovingood, McCallon, Rowe

NOES: COMMISSIONERS: None

ABSENT: COMMISSIONERS: Warren

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 meeting of October 16, 2019.

DATED: October 22, 2019



SAMUEL MARTINEZ
Executive Officer





State of California - Department of Fish and Wildlife
2019 ENVIRONMENTAL FILING FEE CASH RECEIPT
DFW 753.5a (REV. 12/01/18) Previously DFG 753.5a

Print	Start Over	Finalize & Email
-------	------------	------------------

RECEIPT NUMBER:

36 — 11122019 — 791

STATE CLEARINGHOUSE NUMBER (If applicable)

SEE INSTRUCTIONS ON REVERSE. TYPE OR PRINT CLEARLY.

LEAD AGENCY

Local Agency Formation Commission

LEAD AGENCY EMAIL

DATE

11122019

COUNTY/STATE AGENCY OF FILING

San Bernardino

DOCUMENT NUMBER

PROJECT TITLE

LAFCO 3234 - Service Review for the Wrightwood Community Services District

PROJECT APPLICANT NAME

Local Agency Formation Commission

PROJECT APPLICANT EMAIL

PHONE NUMBER

(909) 388-0480

PROJECT APPLICANT ADDRESS

1170 West Third Street, 150

CITY

San Bernardino

STATE

CA

ZIP CODE

92415-0490

PROJECT APPLICANT (Check appropriate box)

☒ Local Public Agency

☐ School District

☐ Other Special District

☐ State Agency

☐ Private Entity

CHECK APPLICABLE FEES:

☐ Environmental Impact Report (EIR)

\$3,271.00

\$

0.00

☐ Mitigated/Negative Declaration (MND)(ND)

\$2,354.75

\$

0.00

☐ Certified Regulatory Program (CRP) document - payment due directly to CDFW

\$1,112.00

\$

0.00

☐ Exempt from fee

☒ Notice of Exemption (attach)

☐ CDFW No Effect Determination (attach)

☐ Fee previously paid (attach previously issued cash receipt copy)

☐ Water Right Application or Petition Fee (State Water Resources Control Board only)

\$850.00

\$

0.00

☒ County documentary handling fee

\$

50.00

☐ Other

\$

PAYMENT METHOD:

☐ Cash

☐ Credit

☐ Check

☒ Other

TOTAL RECEIVED

\$

50.00

SIGNATURE

X

AGENCY OF FILING PRINTED NAME AND TITLE

Jessica Ruiz, Deputy Clerk

LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

NOTICE OF EXEMPTION
CALIFORNIA ENVIRONMENTAL QUALITY ACT

CLERK OF THE BOARD
NOV 12 2019
COUNTY OF
SAN BERNARDINO

TO:

Clerk of the Board of Supervisors
County Government Center
385 North Arrowhead Avenue
San Bernardino, CA 92415-0130

FROM:

Local Agency Formation Commission
1170 West Third Street, Unit 150
San Bernardino, CA 92415-0490

PROJECT TITLE: LAFCO 3234 – Service Review for the Wrightwood Community Services District

PROJECT LOCATION: The study area encompasses approximately 17 square miles (10,866+/- acres) located in the San Gabriel Mountains generally along the Angeles Crest Highway (State Route 2) east and west of the Los Angeles and San Bernardino County line. The area is located east of the unincorporated community of Big Pines and west of State Route 138 in the Angeles National Forest, which is the area generally identified as the community of Wrightwood).

DESCRIPTION: A service review for the Wrightwood Community Services District. A service review is a comprehensive review to inform LAFCO, local agencies, and the public about the provision of municipal services.

PUBLIC AGENCY APPROVING THE PROJECT: Local Agency Formation Commission

AGENCY CARRYING OUT PROJECT: Local Agency Formation Commission

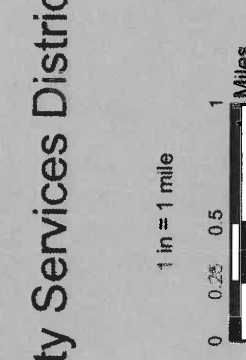
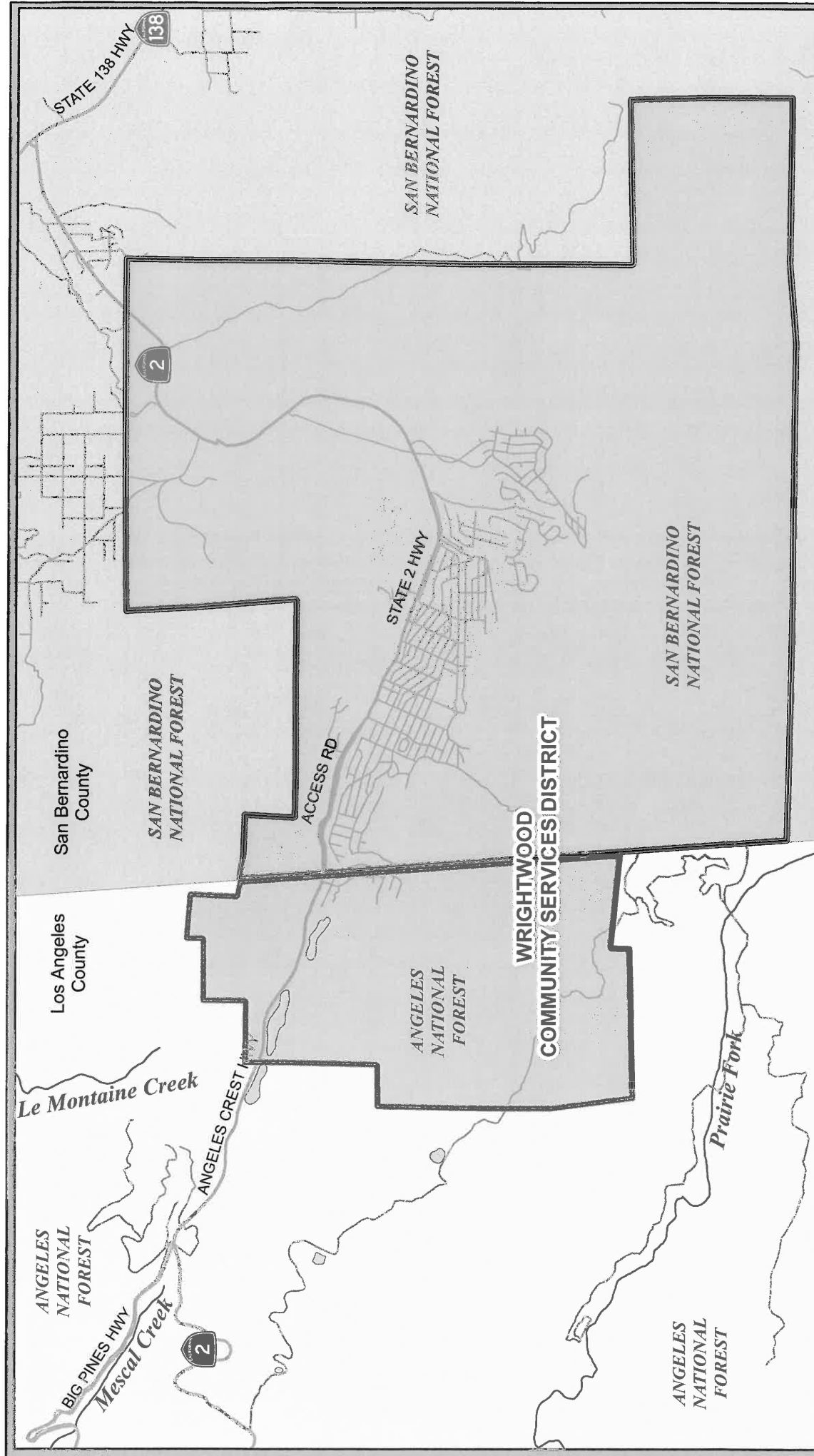
EXEMPT STATUS AND REASONS: The Local Agency Formation Commission has determined that the service review for the Wrightwood Community Services District is statutorily exempt from environmental review since it does not have the potential for causing significant effect on the environment (Section 15061(b)(3) of the State Guidelines for the California Environmental Quality Act). A service review, which focuses on the existing services provided by an agency, does not by itself cause any modifications to the physical environment. Only when a subsequent step is taken to physically revise the jurisdictional boundary or the range of services does a potential for physical change in the environment occur. Therefore, without any identifiable physical changes, this proposal does not constitute a project and is not subject to environmental review under the common sense exemption provisions of the State CEQA Guidelines section cited above or the Commission's adopted CEQA Guidelines.

CONTACT PERSON: Local Agency Formation Commission Staff
Phone: (909) 388-0480

DECISION DATE: October 16, 2019

DATE FILED & POSTED
Posted On: 11/12/19
Removed On: 12/15/19
Receipt No: 30-11122019-791


SAMUEL MARTINEZ
Executive Officer



Sphere of Influence History	
Action	Effective Date
Established (LA Co. only)	08-08-18

- Legend**
- Wrightwood Community Services District, Sphere of Influence (SOI), Los Angeles County
 - Wrightwood Community Services District, Sphere of Influence (SOI), San Bernardino County
 - Wrightwood Community Services District

Staff Report

January 8, 2020

Agenda Item No. 9.a.

Fiscal Year 2018-2019 Independent Auditor's Report for

In August of 2016, the Commission awarded a contract to a certified public accounting firm (Davis Farr, LLP) to prepare audits for four fiscal years, beginning with Fiscal Year 2015-16 through Fiscal Year 2019-20. This agenda item relates to the completion of the audit for Fiscal Year 2018-19 (which started on July 1, 2018, and ended on June 30, 2019).

Jennifer Farr of Davis Farr will present the findings in the Fiscal Year 2018-19 Independent Auditor's Report and will be available to answer questions from the Commission. LAFCO's accountant (Ian Berg, CPA) will also be available to answer questions from the Commission.

This year's audit was conducted in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General. The auditors have provided a favorable opinion of LAFCO's financial statements. The auditor did not identify any deficiencies in internal controls, nor did they find any instances of noncompliance or any material misstatements.

The Audited Financial Statements for Fiscal Year 2018-19 are attached for your information. The documents include: Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and the Independent Auditor's 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*. Also attached is a letter from Davis Farr, dated December 12, 2019 concerning their responsibilities in performing the audit, consistent with governmental and professional standards.

Recommendation

It is recommended that the Commission:

1. Receive and file the attached Independent Auditor's Report, audited financial statements, and associated documents for Fiscal Year 2018-19 ending June 30, 2019.



Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

To the Board of Commissioners
Local Agency Formation Commission of
the County of Los Angeles

We have audited the financial statements of the governmental activities, and each major fund of the Local Agency Formation Commission of the County of Los Angeles ("Commission") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our original engagement letter to you dated July 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. The application of existing policies was not changed during fiscal year ended June 30, 2019. We noted no transactions entered into by the Commission 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 Commission's financial statements was judgements involving the funded status of the OPEB and pension liabilities. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken 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 are Footnote 5: Pension Plan and Footnote 6: OPEB Plan. 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.

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. There were no misstatements detected as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 12, 2019.

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit'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 Management Discussion and Analysis, budgetary comparison information, the Schedule of the Plan's Proportionate Share of the Net Pension Liability, the Schedule of Plan Contributions for the Defined Benefit Pension Plan, the Schedule of the Proportioned Share of the Net OPEB Liability, the Schedule of Plan Contributions for the Defined Benefit OPEB Plan and the Schedule of Collective OPEB Expense for the Defined Benefit OPEB Plan which are 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.

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

A handwritten signature in dark ink, appearing to read "Dennis Lee" followed by a stylized "UP" or similar mark.

Irvine, California
December 12, 2019

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2019

(With Independent Auditor's Report Thereon)

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**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Basic Financial Statements

Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Commission Members
Los Angeles Local Agency Formation Commission
Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Local Agency Formation Commission for the County of Los Angeles (the Commission) as of June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission'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 basic 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 basic 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 auditors consider internal control relevant to the Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Commission, as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

The financial statements for the year ended June 30, 2019 reflect a certain prior period adjustment related to OPEB Plan assets based on guidance from a recently issued Governmental Accounting Standards Board (GASB) Implementation Guide, as described further in note 8 to the financial statements. Our opinion is not modified with respect to this matter.

Prior Year Comparative Financial Statements

We have previously audited the Commission's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, budgetary comparison information, the Schedule of the Plan's Proportionate Share of the Net Pension Liability, the Schedule of Plan Contributions for the Defined Benefit Pension Plan, the Schedule of the Proportioned Share of the Net OPEB Liability, the Schedule of Plan Contributions for the Defined Benefit OPEB Plan and the Schedule of Collective OPEB Expense for the Defined Benefit OPEB Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2019 on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Davis L. L. L." with a stylized flourish at the end.

Irvine, California
December 12, 2019

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**LOS ANGELES COUNTY
LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019**

The following management's discussion and analysis of the financial performance of the Los Angeles County Local Agency Formation Commission (the Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of two parts – *management's discussion and analysis* (this section), and the *basic financial statements*.

The *government-wide financial statements* provide both *long-term* and *short-term* information about the Commission's overall financial status. The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Reporting the Commission as a Whole

The accompanying **government-wide financial statement** presents financial data for the Commission as a whole. One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses has been considered regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in them. You can think of the Commission's net position – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases and decreases* in the Commission's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the Commission's revenues, to assess the *overall health* of the Commission.

**LOS ANGELES COUNTY
LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019 (CONTINUED)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide *Statement of Net Position* follows:

**Table 1
Statements of Net Position
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
ASSETS & DEFERRED OUTFLOWS:				
Current assets	\$ 1,981,188	\$ 1,649,980	\$ 331,208	20.07%
Capital assets, net	13,026	7,870	5,156	65.51%
Total assets	<u>1,994,214</u>	<u>1,657,850</u>	<u>336,364</u>	<u>20.29%</u>
Deferred outflows of resources	<u>549,911</u>	<u>617,432</u>	<u>(67,521)</u>	<u>-10.94%</u>
LIABILITIES, DEFERRED INFLOWS & NET POSITION:				
Current liabilities	80,504	98,325	(17,821)	-18.12%
Long-term liabilities	<u>1,775,105</u>	<u>1,720,382</u>	<u>54,723</u>	<u>3.18%</u>
Total liabilities	<u>1,855,609</u>	<u>1,818,707</u>	<u>36,902</u>	<u>2.03%</u>
Deferred inflows of resources	<u>433,000</u>	<u>334,000</u>	<u>99,000</u>	<u>29.64%</u>
Investment in capital assets	13,026	7,870	5,156	65.51%
Unrestricted	<u>242,490</u>	<u>114,705</u>	<u>127,785</u>	<u>111.40%</u>
Total net position	<u>\$ 255,516</u>	<u>\$ 122,575</u>	<u>\$ 132,941</u>	<u>108.46%</u>

Total assets have increased by \$336,364, or 20%, primarily due to an increase in the Commissions cash and investments. Current liabilities have decreased by 18% due primarily to a decrease in accounts payable. Long-term liabilities have increased 3% due an increase in the Commission's net OPEB (Other Post Employment Benefits) liability and net pension liability. Net position increased 108% with the change in net position for the year ended June 30, 2019 of \$132,941.

**LOS ANGELES COUNTY
LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019 (CONTINUED)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide *Statement of Activities* follows:

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Commission improved or deteriorated during the year.

**Statements of Activities
For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
REVENUES:				
Assessments	\$ 1,322,443	\$ 1,322,443	\$ -	0.00%
Charges for services	107,141	123,444	(16,303)	-13.21%
Operating Grants & Contributions	126,000	-	126,000	0.00%
Investment income	76,369	19,980	56,389	282.23%
Total revenues	<u>1,631,953</u>	<u>1,465,867</u>	<u>166,086</u>	<u>11.33%</u>
EXPENSES:				
General government	<u>1,499,012</u>	<u>1,259,348</u>	<u>239,664</u>	<u>19.03%</u>
Total expenses	<u>1,499,012</u>	<u>1,259,348</u>	<u>239,664</u>	<u>19.03%</u>
Change in net position	132,941	206,519	(73,578)	-35.63%
NET POSITION:				
Beginning of year	122,575	330,624	(208,049)	-63%
Adjustment for GASB 75	<u>-</u>	<u>(414,568)</u>	<u>414,568</u>	<u>1.00%</u>
End of year	<u>\$ 255,516</u>	<u>\$ 122,575</u>	<u>\$ 132,941</u>	<u>108.46%</u>

Investment income increased significantly due to rising interest rates and the interest earned by the California Employers' Retiree Benefit Trust (CERBT) Fund, which was established in FY 18-19. Expenses increased by \$239,664 primarily due to contributions made to the Commission's CERBT Fund. An increase of \$40,275 in services and supplies was largely due to an increase in legal services, mostly associated with legal challenges, and the Commission initiated dissolution of a local water district. Of the \$1,499,012 of general government expenses, \$98,432 is due to GASB 68 Pension expenses and \$46,000 is due to GASB 75 Retiree Health expenses. The GASB 68 and 75 expenses are non-cash expenses that affect financial reporting that do not affect cash outflow.

**LOS ANGELES COUNTY
LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019 (CONTINUED)**

MAJOR FUNDS

Major Governmental Funds. The **General Fund** is the only fund of the Commission, and is considered to be a governmental fund for financial reporting purposes.

GENERAL FUND BUDGET

Major deviations between the budget of the General Fund and its operating results are as follows:

Revenues

Fee revenues or Filing Fees are projections generally based on prior year filing fees. These fees are variable and mostly related to development as the need for municipal services increases. The majority of filing fees submitted to this LAFCO office are for annexation to sanitation districts, followed by water districts for wastewater services and water services, respectively. Fee revenues for FYs 17-18 and 18-19 were greater than the budgeted amounts. In comparison, the revenue account categories were slightly different. The filing fees for FY 18-19 were less than the prior fiscal year by approximately \$16,000. Overall, total revenues in FY 18-19 were higher due to Investment income, mostly related to the CERBT fund account established by the Commission.

Expenses

Overall, total expenses were approximately \$17,000 under budget. The two categories of expenditures beyond what was budgeted—approximately \$12,000 in services and supplies, and approximately \$11,000 in professional fees—were more than offset by expenditures of less than what was budgeted for approximately \$48,000 in salaries and benefits.

**Capital Assets
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Leasehold improvements	\$ 19,454	\$ 11,329	\$ 8,125
Office equipment	12,696	12,696	-
Furniture and fixtures	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets	32,150	24,025	8,125
Accum depreciation	<u>(19,124)</u>	<u>(16,155)</u>	<u>(2,969)</u>
Capital assets, net	<u>\$ 13,026</u>	<u>\$ 7,870</u>	<u>\$ 5,156</u>

At the end of fiscal year 2018, the Commission's investment in capital assets amounted to \$13,026 (net of accumulated depreciation). This investment in capital assets includes equipment, furniture & fixtures and tenant improvements. (See Note 3 for further information)

**LOS ANGELES COUNTY
LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019 (CONTINUED)**

**Long-term Liabilities
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Compensated Absences	\$ 102,551	\$ 88,218	\$ 14,333

Long-term liabilities, such as *Compensated Absences* are not due and payable in the current period. Additional information on long-term liabilities may be found in Note 4 of the Notes to Financial Statements.

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any conditions, which could have a significant impact on the Commission's current financial position, net position or operating results in terms of past, present and future.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer, Paul Novak at 80 South Lake Avenue, Suite 870, Pasadena, CA 91101.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Statement of Net Position
June 30, 2019
(With comparative information for the prior year)**

	Governmental Activities	
	2019	2018
Assets:		
Cash and investments (note 2)	\$ 1,653,550	1,618,378
Restricted cash and investments (note 2)	214,713	-
Accounts receivable	721	8,118
Interest receivable	3,181	3,817
Prepaid expenses	100,791	11,435
Security deposits	8,232	8,232
Capital assets, net (note 3)	13,026	7,870
Total assets	1,994,214	1,657,850
Deferred outflow of resources:		
Deferred outflows - pension contributions (note 5)	118,911	106,432
Deferred outflows - pension actuarial (note 5)	334,000	288,000
Deferred outflows - OPEB contribution (note 6)	22,000	223,000
Deferred outflows - OPEB actuarial (note 6)	75,000	-
Total deferred outflow of resources	549,911	617,432
9-14 and 41.		
Liabilities:		
Accounts payable	18,226	44,877
Long-term liabilities (notes 4 to 6):		
Due within one year:		
Compensated absences	49,738	43,668
Deferred rent obligation	12,540	9,780
Due beyond one year:		
Compensated absences	52,813	44,550
Deferred rent obligation	22,292	34,832
Net OPEB liability	952,000	940,000
Net pension liability	748,000	701,000
Total liabilities	1,855,609	1,818,707
Deferred inflow of resources:		
Deferred inflow of resources - pension actuarial (note 5)	257,000	266,000
Deferred inflow of resources - OPEB actuarial (note 6)	176,000	68,000
Total deferred inflow of resources	433,000	334,000
Net position:		
Investment in capital assets	13,026	7,870
Unrestricted	242,490	114,705
Total net position	\$ 255,516	122,575

See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Statement of Activities
Year Ended June 30, 2019
(With comparative information for the prior year)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position - Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2019</u>	<u>2018</u>
Governmental activities:						
General government	<u>\$ 1,499,012</u>	<u>107,141</u>	<u>126,000</u>	<u>-</u>	<u>(1,265,871)</u>	<u>(1,135,904)</u>
Total governmental activities	<u>\$ 1,499,012</u>	<u>107,141</u>	<u>126,000</u>	<u>-</u>	<u>(1,265,871)</u>	<u>(1,135,904)</u>
General revenues:						
Apportionment					<u>1,322,443</u>	<u>1,322,443</u>
Investment income					<u>76,369</u>	<u>19,980</u>
Total general revenues					<u>1,398,812</u>	<u>1,342,423</u>
Change in net position					<u>132,941</u>	<u>206,519</u>
9-14 and 41.						
Net position (deficit), beginning of year					<u>122,575</u>	<u>(83,944)</u>
Net position, end of year					<u>\$ 255,516</u>	<u>122,575</u>

See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Balance Sheet
June 30, 2019**

	<u>General Fund</u>
<u>Assets</u>	
Cash and investments	\$ 1,653,550
Restricted cash and investments	214,713
Accounts receivable	721
Interest receivable	3,181
Prepaid expenses	100,791
Security deposits	<u>8,232</u>
 Total assets	 <u>\$ 1,981,188</u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ <u>18,226</u>
 Total liabilities	 <u>18,226</u>
Fund balance:	
Nonspendable:	
Prepaid expenses and deposits	109,023
Restricted for OPEB plan	214,713
Unassigned	<u>1,639,226</u>
 Total fund balance	 <u>1,962,962</u>
 Total liabilities and fund balance	 <u>\$ 1,981,188</u>

See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2019**

Fund balances of governmental funds	\$ 1,962,962
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the Commission as a whole.

Capital assets	32,150
Accumulated depreciation	(19,124)

Long-Term Liability Transactions

Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Compensated absences	(102,551)
Deferred rent obligation	(34,832)
Net OPEB liability	(952,000)
Net pension liability	(748,000)

Deferred Outflows and Inflows of Resources

Certain deferred outflows and inflows of resources are not due and payable in the current period and are not current assets or financial resources, therefore these items are not reported in the governmental funds.

Deferred outflows - contributions	140,911
Deferred outflows - actuarial	409,000
Deferred inflows - actuarial	<u>(433,000)</u>

Net position of governmental activities	<u>\$ 255,516</u>
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See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended June 30, 2019**

Revenues:	<u>General Fund</u>
Apportionment	\$ 1,322,443
Filing fees	100,920
Charges for services	6,221
Investment income	<u>76,369</u>
Total revenues	<u>1,505,953</u>
Expenditures:	
Current:	
General government:	
Salaries and benefits	928,270
Services and supplies	254,693
Professional fees	157,006
Capital outlay	<u>8,125</u>
Total expenditures	<u>1,348,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>157,859</u>
Fund balances at beginning of year, as restated (note 8)	<u>1,805,103</u>
Fund balances at end of year	<u>\$ 1,962,962</u>

See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2019**

Net changes in fund balances - total governmental funds	\$	157,859
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital expenditures		8,125
Depreciation expense		(2,969)

Long-Term Liability Transactions

Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the Commission as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.

Net change in net pension liability		20,479
Net change in net OPEB obligation		(46,000)
Net change in deferred rent obligation		9,781
Net change in compensated absences		(14,334)
		(14,334)
Change in net position of governmental activities	\$	132,941

See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

Year Ended June 30, 2019

1) Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Local Agency Formation Commission for the County of Los Angeles (the "Commission") was established by state law, "The Knox-Nisbet Act of 1963", to discourage urban sprawl and encourage the orderly formation and development of local government agencies. The Commission is responsible for coordinating logical and timely changes in local governmental boundaries, including annexations and detachments of territory, incorporation of cities, formation of special districts as well as consolidations, mergers, and dissolutions of districts, among others.

The Commission is governed by Commissioners composed of nine regular members: two members from the County Board of Supervisors, two city representatives, one City of Los Angeles representative, two special district representatives and two public members, one of which represents the San Fernando Valley Statistical area. Since implementation of the Cortese-Knox-Hertzberg Local Government Reorganization Act in 2001, the Commission has operated as a legally separate and independent entity from the County government. This means it can incur debt, set and modify its own budget and fees, enter into contracts, and sue and be sued in its own name.

The accompanying financial statements reflect the financial activities of the Commission. The Commission has no component units.

b. Basis of Accounting and Measurement Focus

The *basic financial statements* of the Commission are composed of the following:

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission.

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 those that are clearly identifiable with a function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments, investment income, and other items not properly included among program revenues are reported instead as general revenues.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses an availability period of 60 days for all revenues.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received from the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Governmental Fund Balances

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Commission action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Commission. It includes legislation (Commission action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Commission action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution, to constitute a formal action of the Board of Commissioners for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Commission but does not require a formal action like a resolution or ordinance. The Commission may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned, fund balance in the governmental fund financial statements flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as a separate column in the fund financial statements.

The Commission reports the following major governmental fund:

The General Fund is used to account for resources traditionally associated with the organization, which are not required legally or by sound financial management to be accounted for in another fund.

c. Cash and Investments

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

d. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Commission's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Commission's own data.

e. Capital Assets

Capital assets are recorded at cost for purchases in excess of \$1,000. Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. Estimated useful lives of the assets are as follows:

Office equipment	3 - 5 years
Furniture and fixtures	3 - 5 years
Tenant improvements	10 years

f. 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 Commission reports deferred outflows related to the pension and OPEB liabilities resulting from actuarial calculations and pension and OPEB contributions made subsequent to the measurement date.

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

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

(revenue) until that time. The Commission reports deferred inflows related to the pension and OPEB liabilities resulting from actuarial calculations.

g. Deferred Rent Obligation

The Commission's policy is to average any defined rental escalations or rent concessions over the term of the related lease in order to provide a level recognition of rent expense. The Commission's total accrued rent obligation was \$34,832 at June 30, 2019.

h. Compensated Absences

Permanent Los Angeles LAFCO employees earn from approximately 5 to 16 vacation days a year and approximately 5 to 10 sick days a year, depending on their length of employment. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave and 50% of unused sick leave, up to the maximum hours specified in individual employment contracts.

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 Commission's Los Angeles County Employees Retirement Association (LACERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by LACERA. 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. LACERA audited financial statements are publicly available reports that can be obtained at LACERA's website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

j. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of LAFCO's plan (Plan) additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

1) Summary of Significant Accounting Policies, (Continued)

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	July 1, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

k. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

l. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's prior year financial statements, from which this selected financial data was derived. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

2) Cash and Investments

Cash and investments as of June 30, 2019, consist of the following:

Demand deposits	\$ 97,360
Cash held by the County of Los Angeles	<u>1,556,190</u>
Total	<u>\$ 1,653,550</u>

Restricted cash and investments as of June 30, 2019, consist of the following:

Cash held with CERBT	<u>\$ 214,713</u>
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Investments Authorized by California Government Code and the Commission's Investment Policy

The table below identifies the investment types that are authorized for the Commission by the California Government Code Section 53601. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

2) Cash and Investments, (Continued)

<u>Type of Investment</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury securities	5 years	100%	none
Federal agency securities	5 years	100%	none
Bankers' acceptances	180 days	40%	30%
Commercial paper	180 days	25%	10%
Negotiable CDs	5 years	30%	none
Repurchase agreements	90 days	50%	none
Corporate bonds	5 years	30%	none
Mutual funds	n/a	15%	10%
Local Agency Investment Fund (LAIF)	n/a	none	100%

Each of the maximums included in the table above are based upon state law requirements or investment policy requirements, whichever is more restrictive.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2019, the Commission's funds are held as short-term deposits in the Los Angeles County Treasury Pool.

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Los Angeles County Treasury Pool is not rated.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk is the risk that the Commission will not be able to (a) recover deposits if the depository financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

Fair Value Measurement

The Los Angeles County Treasury Pool is a pooled investment fund program governed by the Los Angeles County Board of Supervisors and is administered by the County Treasurer. Investments in the pool are highly liquid as deposits and withdrawals can be made at any time without penalty. The Commission's fair value of its share in the pool is the same value

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

2) Cash and Investments, (Continued)

of the pool shares, which amounted to \$1,556,190 as of June 30, 2019. This investment is not required to be categorized within the fair value hierarchy.

Cash held with CERBT

The California Employers' Retiree Benefit Trust (CERBT) is administered by the California Public Employees' Retirement System (CalPERS). The CERBT consists of participating employers of the State of California, public agencies and schools. CalPERS is governed by the Board of Administration that is responsible for the management and control of CalPERS, including the exclusive control of the administration of and investment of CERBT. A portion of the CERBT is invested in LAIF.

CERBT is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the CERBT's investment in this pool is based upon the CERBT'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.

3) Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets:				
Office equipment	\$ 12,696	-	-	12,696
Tenant improvements	11,329	8,125	-	19,454
Total capital assets	<u>24,025</u>	<u>8,125</u>	<u>-</u>	<u>32,150</u>
Less accumulated depreciation for:				
Office equipment	(8,530)	(1,431)	-	(9,961)
Tenant improvements	(7,625)	(1,538)	-	(9,163)
Total accumulated depreciation	<u>(16,155)</u>	<u>(2,969)</u>	<u>-</u>	<u>(19,124)</u>
Total capital assets, net	<u>\$ 7,870</u>	<u>5,156</u>	<u>-</u>	<u>13,026</u>

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

4) Compensated Absences Payable

Compensated absences payable activity for the year ended June 30, 2019, was as follows:

Compensated absences payable at beginning of	\$ 88,218
Compensated absences payable earned	55,885
Compensated absences payable used	<u>(41,552)</u>
Compensated absences payable at end of year	<u>\$ 102,551</u>

Compensated absences expected to be paid within one year is \$49,738 at June 30, 2019.

5) Pension Plan

a. General Information about the Pension Plan

Plan Description

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937. LACERA operates as a cost-sharing, multi-employer defined benefit pension plan (the Plan) and provides benefits to employees of the County of Los Angeles as well as four other entities, including LAFCO that are not part of the County's reporting entity. Benefits are authorized in accordance with the County Employees Retirement Law, the by-laws and procedures adopted by LACERA's Boards of Retirement and Investments and County Board of Supervisors' resolutions.

Benefits Provided

LACERA provides retirement, disability, death benefits, and cost of living adjustments to eligible employees. Eligibility to participate in the retirement plan is determined by having completed thirty days of credited service. The retirement benefits within the plan are tiered based on the date of LACERA membership.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	General		
		If elected, on or after January 4, 1982	
Hire date	Prior to January 1, 2013	and before November 28, 2012	On or After January 1, 2013
Plan name	Plan D	Plan E	Plan G
Benefit vesting schedule	5 years of service	10 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-70	55-70	52 - 67
Monthly benefits, as a % of eligible compensation	1.18% - 2.43%	0.75% - 2.0%	1.0%- 2.5%
Required employee contribution rates (1)	4.83% - 10.94%	0%	7.63%
Required employer contribution rates	18.51%	17.49%	18.53%

(1) Based on age at entry into the Plan

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

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. 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 Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

The Commission's net pension liability 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. The Commission's proportionate share of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The following table shows the Commission's proportionate share of the net pension liability over the measurement period:

	<u>Net Pension Liability</u>
Balance at: 06/30/2017	\$701,000
Balance at: 06/30/2018	748,000
Net change during 2018	47,000

The Commission's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

	<u>General</u>
Proportion – June 30, 2017	0.00621%
Proportion – June 30, 2018	0.00695%
Change – Increase (Decrease)	0.00074%

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

For the year ended June 30, 2019, the Commission recognized pension expense of \$98,432. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to the measurement date	\$118,911	-
Changes in assumptions	161,000	-
Differences between expected and actual experience	19,000	(47,000)
Changes in proportion	154,000	(180,000)
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>(30,000)</u>
Totals	<u>\$452,911</u>	<u>(257,000)</u>

The deferred outflows of resources related to contributions subsequent to the measurement date of \$118,911 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 44,394
2021	21,920
2022	(28,147)
2023	6,950
2024	25,233
Thereafter	6,650

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.38%
Investment Rate of Return	7.25%
Inflation	2.75%
Cost of Living Adjustments (1)	
Mortality (2)	

(1) As noted in the June 30, 2017 actuarial valuation, with one modification: STAR COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.

(2) Various rates based on RP-2014 mortality tables and using MP-2014 Ultimate Projection Scale. See June 30, 2017 actuarial valuation for details.

Discount Rate

The discount rate to measure the total pension liability is 7.38 percent. The rate reflects the long-term assumed rate of return on assets for funding purposes of 7.25 percent, net of all expenses, increased by .13 percent, gross administrative expenses.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employer's will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the plan's fiduciary net position was projected to be sufficient to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block approach in which best-estimate ranges of expected future real rates of returns (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation. The target allocation and best estimates of the geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

5) Pension Plan, (Continued)

are presented on a real basis, after the effects of inflation, and all assumptions incorporate a base inflation rate assumption of 2.75 percent.

<u>Asset Class</u>	<u>Target Allocation</u>	2018 Weighted-average Long- term Expected <u>Real Rate of Return</u>
Global Equity	43.40%	5.70%
Fixed Income	26.60%	2.60%
Real Estate	11.00%	4.60%
Private Equity	10.00%	6.90%
Commodities	2.80%	1.60%
Hedge Funds	4.20%	3.10%
Other Opportunities	0.00%	4.50%
Cash	<u>2.00%</u>	-0.20%
Total	<u>100.00%</u>	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Commission'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:

	Discount Rate – 1% (6.38%)	Current Discount Rate (7.38%)	Discount Rate + 1% (8.38%)
Commission's proportionate share of the Net Pension Liability	\$1,377,000	\$748,000	\$227,000

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued LACERA financial reports.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

6) Other Post-Employment Benefits Plan

a. Plan Description

The Commission provides a defined benefit healthcare plan to retirees in accordance with the benefits provided by the Los Angeles County Retirement Association. Spouses are also covered throughout their lives. The Commission pays 4% of the annual premiums for each year of service of the retiree. The retiree is responsible for payment of the remaining premiums. Retirees must have worked a minimum of 10 years with the Commission in order to be eligible for these benefits.

As defined by the accounting standards, the arrangement of OPEB benefits being provided the Los Angeles County Retirement Association is considered a special funding situation in which a non-employer entity (LACERA) is legally responsible for providing certain of forms of financial support for the employees of another entity (Commission). For the measurement period ending June 30, 2018, LACERA paid \$126,000 for the Commission's proportionate share of collective OPEB expense.

b. Employees Covered

The following employee statistics as of June 30, 2017 were used in the actuarial valuation:

Active employees	6
Inactive – receiving benefits	3
Inactive – not receiving benefits	<u>2</u>
Total participants	<u>11</u>

c. Contributions

During the fiscal year ending June 30, 2018, the Commission opened a trust account with CERBT dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

d. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2018 OPEB liabilities were based on the following actuarial methods and assumptions:

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

6) Other Post-Employment Benefits Plan, (Continued)

Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.11%
Inflation	2.75%
General Wage Increases, including Inflation	3.25%
Mortality	Refer to pages A-4 and A-5 of the July 1, 2017 OPEB Valuation Report

e. Discount Rate

Discount Rate	5.11%
Long-term expected rate of return, net of investment expenses	6.30%
20 Year Tax-Exempt Municipal Bond Yield	3.87%

The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net positions is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient.

The long term expected rate of return on OPEB plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions are presented on a real basis, after the effects of inflation, and all assumptions incorporate a based inflation rate assumption of 2.75 percent. The expected geometric nominal return (30 years) as of June 30, 2018 was 6.30%.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

6) Other Post-Employment Benefits Plan, (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	Weighted-average Long- term Expected <u>Real Rate of Return</u>
Global Equity	50.00%	4.70%
High Yield Bonds	6.00%	2.60%
Bank Loans	10.00%	2.20%
Local Currency Bonds	4.00%	2.60%
Cash Equivalents	2.00%	0.10%
Investment Grade Bonds	8.00%	0.80%
TIPS	6.00%	0.50%
Real Estate (REITs)	10.00%	3.90%
Commodities	<u>4.00%</u>	1.80%
Total	<u>100.00%</u>	

f. Allocation of Net OPEB Liability and OPEB Expense to Individual Employers

The following table shows the Commission's proportionate share of the net OPEB liability over the measurement period:

	<u>Net OPEB Liability</u>
Balance at: 6/30/2017	\$940,000
Balance at: 6/30/2018	952,000
Net change	12,000

The Commission's net OPEB liability for the plan is measured as the proportionate share of the net OPEB liability. The net OPEB liability of the plan is measured as of June 30, 2018, and the total OPEB liability for the plan used to calculate the net OPEB liability was determined by an actuarial valuation of July 1, 2017. The Commission's proportion of the net OPEB liability was based on a projection of the Commission's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportionate share of the net OPEB liability for the plan as of June 30, 2017 and 2018 was as follows:

Proportion – 6/30/2017	0.00355%
Proportion – 6/30/2018	0.00385%
Change – Increase (Decrease)	0.00030%

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

6) Other Post-Employment Benefits Plan, (Continued)

g. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the discount rate of 5.11 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.11 percent) or 1 percentage-point higher (6.11 percent) than the current rate:

	Discount Rate – 1% (4.11%)	Current Discount Rate (5.11%)	Discount Rate + 1% (6.11%)
Commission's proportionate share of the Net OPEB Liability	\$1,141,000	\$952,000	\$803,000

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the changes in the healthcare cost trend rates as reported on the July 1, 2017 OPEB Actuarial Valuation Health Cost Trend Assumptions with Excise Tax table, as well as what the net OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Trend Rate 1% Decrease	Current Healthcare Cost Trend Rate	Trend Rate 1% Increase
Commission's proportionate share of the Net OPEB Liability	\$760,000	\$952,000	\$1,181,000

h. Amortization 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 amortized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future OPEB expense.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

6) Other Post-Employment Benefits Plan, (Continued)

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS�)

i. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Commission recognized expense of \$246,000 for the OPEB Plan. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to the measurement date	\$22,000	-
Changes in assumptions	-	(118,000)
Differences between expected and actual experience	-	(47,000)
Changes in proportion	75,000	(9,000)
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>(2,000)</u>
Totals	<u>\$97,000</u>	<u>(176,000)</u>

The Commission reported \$22,000 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020. Deferred outflows related to contributions subsequent to the measurement date and other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as OPEB expense as follows:

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to Financial Statements

(Continued)

6) Other Post-Employment Benefits Plan, (Continued)

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2020	\$(14,000)
2021	(14,000)
2022	(14,000)
2023	(14,000)
2024	(14,000)
Thereafter	(31,000)

7) Commitments

The Commission has entered into office space and equipment leases under long-term lease agreements expiring through November 2021. Future minimum rental payment under non-cancelable leases are as follows:

Year Ended June 30	Amount
2020	\$ 94,739
2021	97,582
2022	41,158
Total	<u>\$ 233,479</u>

Total rent expense for the year ended June 30, 2019 amounted to \$91,980.

8) Restatement of Beginning Fund Balance

During the year ended June 30, 2018, the Commission made an OPEB contribution into the California Employers' Retiree Benefit Trust (CERBT) CERBT trust. Due to recent account guidance provided by the Governmental Accounting Standards Board, that payment is now being recorded a restricted asset of the Commission. The following schedule summarizes the impact to beginning fund balance as follows:

Fund balance at beginning of year, as previously reported	\$ 1,605,103
Change in the accounting for a prior year payment into an OPEB Trust resulting from new guidance in GASB Implementation Guide	<u>200,000</u>
Fund balance at end of year, as restated	\$ <u>1,805,103</u>

REQUIRED SUPPLEMENTARY INFORMATION

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years ***

	Measurement Date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Collective Net Pension Liability	0.00695%	0.00621%	0.00775%	0.00907%	0.00800%
Proportionate Share of the Collective Net Pension Liability	\$748,000	\$701,000	\$806,000	\$703,000	\$580,000
Covered Payroll	\$597,839	\$507,467	\$564,082	\$594,657	\$575,750
Proportionate Share of the Collective Net Pension Liability as percentage of covered payroll	125.12%	138.14%	142.89%	118.22%	100.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.37%	82.37%	81.75%	86.30%	86.80%

Notes to Schedule:

Benefit Changes – There were no changes in benefits

Changes in Assumptions – For the measurement period ended June 30, 2017, the discount rate was changed from 7.63% to 7.38%.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Schedule of Plan Contributions – Defined Benefit Pension Plan
Last Ten Fiscal Years ***

	<u>Fiscal Year 2018-19</u>	<u>Fiscal Year 2017-18</u>	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 118,911	106,432	84,079	106,091	116,988
Contributions in Relation to the Actuarially Determined Contribution	<u>(118,911)</u>	<u>(106,432)</u>	<u>(84,079)</u>	<u>(106,091)</u>	<u>(116,988)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 633,905	597,839	507,467	564,082	594,657
Contributions as a Percentage of Covered Payroll	18.76%	17.80%	16.56%	18.81%	19.67%

Notes to Schedule:

Fiscal Year End June 30, 2019

Valuation Date June 30, 2016

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Investment Rate of Return	7.25%, net of pension plan investment expenses
Retirement Age	50-67 years
Mortality	Various rates based on RP-2014 mortality tables and using MP-2014 Ultimate Projection Scale. See June 30, 2016 actuarial valuation for details.

*Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Schedule of Proportionate Share of the Net OPEB Liability
Last Ten Fiscal Years ***

Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Proportion of the Collective Net OPEB Liability	0.00385%	0.00355%
Proportionate Share of the Collective Net OPEB Liability	\$952,000	940,000
Covered-Employee Payroll	\$594,840	504,171
Proportionate Share of the Collective Net OPEB Liability as percentage of covered-employee payroll	160.04%	186.44%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.60%	0.00%

Notes to Schedule:

Benefit Changes – There were no changes in benefits

Changes in Assumptions – There were no changes in assumptions

* Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Schedule of Plan Contributions – Defined Benefit OPEB Plan
Last Ten Fiscal Years ***

	Fiscal Year 2018-19	Fiscal Year 2017-18
Actuarially Determined Contribution	\$ 22,000	23,000
Contributions in Relation to the Actuarially Determined Contribution	<u>(22,000)</u>	<u>(223,000)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>(200,000)</u>
Covered-Employee Payroll	\$ 633,905	594,840
Contributions as a Percentage of Covered-Employee Payroll	3.47%	37.49%

Notes to Schedule:

Fiscal Year End June 30, 2019

Valuation Date June 30, 2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Inflation	2.75%
Salary increases	3.25% per annum, in aggregate
Investment Rate of Return	6.66% long term rate
Discount Rate	4.69%
Mortality	RP-2014 Healthy Annuitant Mortality Tables for males multiplied by 105% RP-2014 Healthy Annuitant Mortality Tables for females

* - Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
Schedule of Collective OPEB Expense – Defined Benefit OPEB Plan
Last Ten Fiscal Years ***

Measurement Period	<u>2017-18</u>	<u>2016-17</u>
Total Proportionate Share of Collective OPEB Expense	\$ 126,000	106,000

* - Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Apportionment	\$ 1,322,433	1,322,433	1,322,443	10
Filing fees	85,000	85,000	100,920	15,920
Charges for services	350	350	6,221	5,871
Investment income	12,000	12,000	76,369	64,369
Total revenues	<u>1,419,783</u>	<u>1,419,783</u>	<u>1,505,953</u>	<u>86,170</u>
Expenditures:				
Current:				
General government:				
Salaries and benefits	976,264	976,264	928,270	47,994
Services and supplies	242,236	242,236	254,693	(12,457)
Professional fees	146,000	146,000	157,006	(11,006)
Capital outlay	500	500	8,125	(7,625)
Total expenditures	<u>1,365,000</u>	<u>1,365,000</u>	<u>1,348,094</u>	<u>16,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,783</u>	<u>54,783</u>	<u>157,859</u>	<u>103,076</u>
Net change in fund balances	54,783	54,783	157,859	103,076
Fund balances at beginning of year, as restated	<u>1,805,103</u>	<u>1,805,103</u>	<u>1,805,103</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,859,886</u>	<u>1,859,886</u>	<u>1,962,962</u>	<u>103,076</u>

See accompanying notes to the basic financial statements

**LOCAL AGENCY FORMATION COMMISSION
FOR THE COUNTY OF LOS ANGELES**

Notes to the Required Supplementary Information

Year Ended June 30, 2019

1) Budgetary Reporting

The Commission adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with generally accepted accounting principles (GAAP). The adopted budget can be amended by the Commission to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require the Commission's approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the management to review the budget with the Commission on a quarterly basis and, if necessary, recommend changes.

**INDEPENDENT AUDITOR'S 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**

The Commission Members
Local Agency Formation Commission
for the County of Los Angeles
Pasadena, 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 basic financial statements of the Local Agency Formation Commission for the County of Los Angeles (the Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was

statement amounts. 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*.

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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Irvine, California
December 12, 2019

Staff Report

January 8, 2020

Agenda Item No. 9.b.

Fiscal Year 2019-20 Mid-Year Budget Status Report

Summary: In accordance with Government Code Section 56381, the Commission adopted a budget for FY 2019-20 in May of 2019, prior to the statutory requirement of June 15th. Since the budget's adoption, the Commission has approved additional consultant work for Municipal Service Reviews (MSRs), and a few minor unanticipated expenses in *Office Expense* categories. This will result in greater anticipated year end expenditures.

This mid-year budget status report incorporates recent expenditure changes and provides an overview of the projected year-end position in comparison to the adopted budget. Revenues are expected to be above target due to agency contributions received to offset the consultant cost for the preparation of the MSRs/Sphere of Influence (SOI) Updates.

Provided herein is a brief description of the budget categories identifying significant variations from the adopted budget.

Expenditures:

Salaries and Employee Benefits: *The Salaries and Employee Benefits are expected to be below the adopted budget by 1.5% as described in more detail below.*

Employee Salaries (50001): Cost savings were achieved due to the recent retirement of the LAFCO Administrative Clerk.

Retirement (50015): As a LACERA participatory agency, LAFCO is subject to employer contribution rate increases. In October of 2019, employer contribution rates were increased by less than 1% in accordance with LACERA's June 30, 2018 valuation report. LAFCO was able to absorb the increase due to a reduction in employer contributions caused by the vacated clerk position. Also included is an estimated administrative fee quoted by LACERA for managing existing retirees' health benefits.

OPEB—Existing Retiree (50022): This account reflects existing LAFCO retirees' post-employment benefits. The portion of employment benefits paid by LAFCO.

Office Expenses: *Office Expenses are projected to be slightly above budgeted levels by 4.5%.*

Rent (50025): The office lease allows for an annual 3% rent increase escalator. The lease also calls for LAFCO to pay its proportionate share of common area maintenance fees (“CAMs”). As of the writing of this staff report, the estimated 2019 operating expenses had not been calculated for the common areas. A slight 3% CAM increase is being used as a placeholder, increasing rent expenditures by a nominal amount.

Miscellaneous—Other (50065): This account includes charges by the County of Los Angeles for the use of the board room, County services such as assessor fees, monthly bank charges, and other miscellaneous charges. At mid-year, expenses in this account are nearly at 75% of budget and are expected to be slightly above budget. This is mostly related to County Assessor parcel fees up to an amount of \$1,500 per change or organization or reorganization (this charge is reimbursed by the applicant).

Computer-Copier-Misc. Equipment (50067): This account is used to replace computer equipment such as monitors, printers, and keyboards. These types of replacements seldom occur. This fiscal year, however, in addition to the replacement of multiple computer items, the office server was replaced. The server replaced had limited storage and was out of the warranty period.

Professional Services: *Professional Services are also expected to be over budget. This is largely due to the costs associated with the preparation of Municipal Service Reviews.*

Legal Services (50076): LAFCO utilizes County Counsel for legal services. In recent years, counsel assigned to LAFCO has changed and new counsel has had to manage multiple legal challenges faced by LAFCO. The amount budgeted more accurately reflects prior year charges. The amount listed under mid-year, includes current counsel invoices paid through October of 2019. Year end expenditures are expected to be within budget.

Payroll Service (50077.1): LAFCO uses an outside vendor for payroll services. Charges to this account are for inputting time, processing payroll and generating checks.

Municipal Service Reviews (50081): The amount included in the budget reflects the Commission’s initiative to complete five MSRs during the 2019-20 fiscal year by contracting for outside consultant services. Since the budget’s adoption, the Commission has selected four different consulting firms and executed five contracts for the preparation of MSR/SOI Updates. The projected year end amount includes the contract amount for each of the MSR/SOI Updates.

Expenditure Summary:

In summary, it is anticipated that total expenditures will be approximately 7% above total budgeted expenditures of \$1,625,603, mostly related to the use of professional services for the preparation of Municipal Service Reviews.

Revenues:

At mid-year, fee revenues are higher than budget due to reimbursable charges for the preparation of the Municipal Service Reviews. Interest revenue is on track and expected to be at budget. At the close of the fiscal year, fee-based revenues and interest income are expected to exceed budgeted revenues by 150%. This is primarily due to agency contributions received to offset the consultant costs for the MSRs.

Local Agency Apportionment:

The Auditor Controller's Office has reported that most agencies have paid their apportionment. It is expected that all agencies will pay their apportionment by the close of the fiscal year, June 30, 2020.

Recommended Action:

1. Receive and file the Mid-Year Budget Status Report for FY 2019-20.

FINAL BUDGET FOR FISCAL YEAR 2019-20						
ACCT. #	ACCOUNT NAME	ADOPTED FINAL BUDGET 2019-20	MID YEAR BUDGET STATUS 2019-20	PROJECTED YEAR END (PYE) 2019-20	MID YEAR % Variance From Adopted	
EXPENSES						
50000	Salaries and Employee Benefits					
50001	Employee Salaries	\$ 651,203	\$ 318,089	\$ 636,178	-51.2%	-2.3%
50015	Employer Paid Pension Contribution	121,000	59,876	121,000	-50.5%	0.0%
50016	Accrued vacation and sick cashout	10,000	-	10,000	-100.0%	0.0%
50017	Commissioner Stipends	20,000	7,800	20,000	-61.0%	0.0%
50018	Worker's Compensation Insurance	9,500	8,977	9,500	-5.5%	0.0%
50019	Insurance (Health, Disability, Life)	126,000	58,070	126,000	-53.9%	0.0%
50020	Payroll Taxes	10,900	5,309	10,900	-51.3%	0.0%
50022	OPEB - Existing Retirees	27,000	11,291	27,000	-58.2%	0.0%
50022.2	LACERA OPEB Administratrion Costs	\$ 20,000	\$ -	\$ 20,000	-100.0%	0.0%
Total Salaries & Employee Benefits		\$ 995,603	\$ 469,412	\$ 980,578	-52.9%	-1.5%
50000A	Office Expense					
50025	Rent	\$ 108,700	\$ 53,931	\$ 110,000	-50.4%	1.2%
50026	Communications	10,000	4,910	10,000	-50.9%	0.0%
50027	Supplies	7,400	2,200	7,400	-70.3%	0.0%
50029	Computer Software	6,200	2,910	6,200	-53.1%	0.0%
50030	Equipment lease	6,500	3,272	6,500	-49.7%	0.0%
50031	Employee & Guest Parking Fees	9,200	3,508	9,200	-61.9%	0.0%
50032	Property/Liability Insurance	24,000	21,447	24,000	-10.6%	0.0%
50033	Agency Membership Dues	13,000	12,560	13,000	-3.4%	0.0%
50040	Information Technology/Programming	7,000	3,300	7,000	-52.9%	0.0%
50052	Legal Notices	4,000	100	4,000	-97.5%	0.0%
50054	Postage	4,000	1,301	4,000	-67.5%	0.0%
50056	Printing/Copy Charges	4,400	535	4,400	-87.8%	0.0%
50057	Conferences/Travel - Commissioners	13,000	4,393	13,000	-66.2%	0.0%
50058	Conference/Travel - Staff	13,000	6,746	13,000	-48.1%	0.0%
50060	Auto Reimbursement	7,000	3,075	6,150	-56.1%	-12.1%
50061	Various Vendors	8,000	4,096	8,000	-48.8%	0.0%
50065	Miscellaneous - Other	6,000	4,525	6,700	-24.6%	11.7%
50067	Computer-Copier-Misc Equipment	500	600	10,700	20.0%	2040.0%
Total Office Expenses		\$ 251,900	\$ 133,409	\$ 263,250	-47%	4.5%
50000C	Professional Services					
50076	Legal services	120,000	17,677	120,000	-85.3%	0.0%
50077	Accounting & Bookkeeping	25,000	13,000	25,000	-48.0%	0.0%
50077.2	Audit/Financial Statements	7,500	6,000	7,500	-20.0%	0.0%
50077.1	Payroll Service	5,600	1,570	5,600	-72.0%	0.0%
50078	Contract Services	20,000	6,000	18,000	-70.0%	-10.0%
50081	Municipal Service Reviews	200,000	30,638	321,350	-84.7%	60.7%
Total Professional Services		\$ 378,100	\$ 74,885	\$ 497,450	-80.2%	31.6%
TOTAL EXPENDITURES		\$ 1,625,603	\$ 677,705	\$ 1,741,278	-58.3%	7.1%
20020	OPEB Liability - Reserves	\$ -		\$ -	\$ -	
Total Contingencies and Reserves Set Aside		\$ -			\$ -	
Total Appropriations		\$ 1,625,603	\$ 677,705	\$ 1,741,278	-58.3%	10.4%

FINAL BUDGET FOR FISCAL YEAR 2019-20						
ACCT. #	ACCOUNT NAME	ADOPTED FINAL BUDGET 2019-20	MID YEAR BUDGET STATUS 2019-20	PROJECTED YEAR END (PYE) 2019-20	MID YEAR % Variance From Adopted	
40000 REVENUES						
40005	Filing Fees	\$ 70,000	\$ 161,800	\$ 193,800	131.1%	176.9%
40006	Processing Fees	1,000	60	2,000	-94.0%	100.0%
40007	Interest Income	15,000	10,392	20,000	-30.7%	-25.0%
40008	Other Income	350	135	350	-61.4%	0.0%
Total Revenues		\$ 86,350	\$ 172,387	\$ 216,150	-55.0%	150.3%
NET OPERATING COSTS		\$ 1,539,253	\$ 505,318	\$ 1,525,128	-67.2%	-0.9%
Local Agency Apportionment		FY 2019-20 Final Budget Estimates*				
40001	City of Los Angeles	236,812	236,812	236,812	0.0%	0.00%
40002	County of Los Angeles	592,021	592,021	592,021	0.0%	0.00%
40003	Other Cities (87)	355,210	341,324	355,210	-3.9%	-3.91%
40004	Special Districts	355,210	350,125	355,210	-1.4%	-1.43%
Total Local Agency Apportionment		\$ 1,539,253	\$ 1,520,282	\$ 1,539,253	-1.2%	-1.23%

*Estimates based on FY 2018-19 Billing. Invoices for FY 2019-20 are generated by the County Auditor Controller's Office.

Staff Report

January 8, 2020

Agenda Item No. 9.c.

Fiscal Year 2019-20 Mid-Year Investment Report

Background: Commission funds are held in three accounts: an operating account, an operating reserve account in the County Treasury, and a separate government entity bank account used to pay the Commission's monthly operating expenses. The County Auditor-Controller collects the LAFCO apportionment, which is deposited into the Commission's operating account. Each month, funds are transferred from the operating account to the Commission's government entity bank account to pay the Commission's operating expenditures, consistent with Commission-approved appropriations.

Commission funds held in the County Treasury accrue interest. All interest earnings are included in the Commission's budget under Interest Income (40007). At this time staff would like to report the mid-year status of investment earnings.

In addition, in May of 2018, the Commission established an Other-Post-Employment-Benefits (OPEB) Trust fund in order to reduce its unfunded OPEB liability. LAFCO funds for its OPEB liability are held in the California Public Employees' Retirement System (CalPERS)—California Employers' Retirement Benefit Trust Fund (CERBT). Funds held in CERBT also accrue interest.

Interest Earnings:

Interest earnings have been favorable. The average earning rate since the beginning of the fiscal year for those funds held in the County Treasury has been 2%. Interest Income gained since the beginning of the fiscal year through the most recent Monthly Report of Investments is approximately \$14,000.

CERBT Interest earnings for the current fiscal year have accrued a net return of 3.34%, as of October 31, 2019. In the current fiscal year, net interest earnings have been \$4,151, as of the most recent information available.

Projected year-end Interest Income is expected to total approximately \$20,000 which is in line with the Commission's approved annual budget for Fiscal Year 2019-20.

Recommended Action:

Staff recommends that the Commission:

1. Receive and file the Mid-Year Investment Report.

Staff Report

January 8, 2020

Agenda Item No. 9.d.

Procurement and Reporting Policy Annual Report for 2020

On April 10, 2019, the Commission adopted a “Professional Services Procurement and Reporting Policy.” Pursuant to specified criteria in the policy, staff must submit an annual report to the Commission documenting contracts/agreements with outside contractors and vendors. The policy further requires that the annual report be agendaized for Commission consideration in the first quarter of each calendar year.

The “Procurement and Reporting Policy Annual Report for 2020” is attached.

Recommended Action:

Staff recommends that the Commission:

1. Receive and file the Professional Services and Reporting Policy for 2020.

Procurement and Reporting Policy

Adopted May 8, 2019

This policy shall apply to all contracts entered into by the Local Agency Formation Commission for the County of Los Angeles (LAFCO), as authorized by Government Code §§ 56375 (j), 56375(k), and 56380 which authorize the Commission to appoint and assign staff personnel, to employ or contract for professional or consulting services, and to incur usual and necessary expenses to carry out and effect the functions of the Commission and to make its own provision for necessary quarters, equipment and supplies.

This policy is intended to ensure that LAFCO practices ethical, responsible, and reasonable procedures relative to purchasing, financial commitments, contracts, and the hiring of consultants. This policy identifies the procedures which LAFCO will adhere to in the performance of its designated responsibilities, and it is intended to provide for a cost-effective use of public resources, including funds and staff time. This policy applies to LAFCO's contracting practices prospectively, after adoption of the policy by the Commission.

1. Commission Approval

Execution and award of contracts, agreements, and memoranda of understanding (collectively referred to as contracts) that exceed \$10,000, including but not limited to the those for the following types of services shall require Commission approval:

- Preparation of annual audits (this may be awarded in contracts for multiple years, and in concert with other LAFCOs);
- Municipal Service Reviews (MSRs), special studies, and/or equivalent;
- Lease(s), or lease extensions, for office space;
- Primary legal counsel and as-needed alternate counsel;
- Provider(s) of insurance, including employee medical/dental, property/liability, and workers compensation insurance coverage; and
- Provider(s) of employee pension coverage.

Contracts that require Commission approval shall utilize a competitive solicitation process in a form determined by the Executive Officer and approved by LAFCO legal counsel. Prior Commission authorization to release the solicitation is not required.

2. Delegated Authority:

The Commission hereby delegates authority to the Executive Officer to solicit, approve and execute contracts for goods, materials and services that do not exceed \$10,000 and are consistent with the authority provided by Government Code §§ 56375 and 56380. It is expected that this will include, but is not limited to, the following: computer equipment, (including desktop and laptop computers, printers, routers, servers, wireless networks, and similar and related products); miscellaneous services/leases (cell phone(s), postage meter, and plant service); and any other service or product not to exceed \$10,000. Notwithstanding the above, the Commission delegates authority to the Executive Officer to purchase and/or contract for legal advertising (public notice), routine information

Delegated Authority (continued):

technology services, and accounting/bookkeeping services, which exceed \$10,000, provided that these costs are documented in the annual budgets adopted by the Commission, identified in the Mid-Year Budget Report, and listed in the “Procurement and Reporting Policy Annual Report” identified in Section 4, below.

The Executive Officer is authorized to designate the Deputy Executive Officer (“DEO”) as his or her designee for all delegated authority herein. In the absence or unavailability of the Executive Officer, the Commission hereby delegates the foregoing authority to the DEO.

Delegated authority for contracts that are estimated to exceed \$5,000 shall utilize a competitive solicitation process in a form determined by the Executive Officer and approved by LAFCO legal counsel.

3. Emergency Authority

In the event of an emergency issue, as determined by the Executive Officer in consultation with the Commission Chair (or, if unavailable, with the Commission First Vice-Chair or Commission Second Vice Chair); when equipment, materials or services are required to protect the health, welfare and safety of the Commission or staff, and the cost exceeds the delegated authority of the Executive Officer; the Executive Officer shall receive approval of the Commission Chair (or, if unavailable, with the Commission First Vice-Chair or Commission Second Vice Chair); to award a contract and waive the requirements to conduct a competitive solicitation process. The Executive Officer shall notify the Commission either in writing or in a report at the next available Commission Meeting.

4. Reporting Requirements:

Staff shall prepare a written “Procurement and Reporting Policy Annual Report” (“Report”) and agendize the same at a Commission meeting in the first quarter of each calendar year. The Report shall list all outside service providers, and shall include, but not be limited to, the name of the provider; the service/product provided; and the status/term of any contracts, leases, or equivalent.

The Report shall be prepared annually and posted to the LAFCO website. The most recent five (5) years of Reports shall be maintained in the “Transparency” section of the LAFCO website.

5. Conflict(s) of Interest:

LAFCO shall avoid real or potential conflicts of interest in its contracting practices. Contracts shall not be entered into with members of the Commission, LAFCO employees, and vendors in which Commissioners or LAFCO employees have a financial or ownership interest. This provision extends to those who within the immediately preceding 12 months were Commission members or employees of LAFCO who participated in the area of service performed or developing the contract or its service specifications.

Procurement and Reporting Policy Annual Report for 2020
January 8, 2020

Provider	Service/Product	Status	Annual Cost	Comment(s)
Special District Risk Management Authority	Property/Liability & Workers Compensation Insurance	Policies renewed annually	\$27,735	Commission-approved annual LAFCO budgets reflects anticipated premium increases. Workers Compensation premium is based upon payroll. SDRMA represents significant cost savings over prior provider. No alternate provider provides LAFCO with the same level of coverage for equivalent premiums.
County of Los Angeles	Employee Medical and Dental Insurance	Memorandum of Understanding (MOU)	N/A (See Comments)	Commission approved the MOU with the County of Los Angeles on 10/11/2017; MOU expires on 10/31/2027. Rates vary by employee/plan. Rates are reported annually to the Commission during LAFCO budget process. No alternate vendor offers LAFCO the same level of coverage for equivalent premiums.
Los Angeles County Employee Retirement Association (LACERA)	Employee/Retiree Pension	Memorandum of Understanding (MOU)	N/A (See Comments)	Commission approved the MOU with LACERA on 11/15/2017; MOU has no expiration date. Employees were enrolled in LACERA at the time of LAFCO's separation from the County in 2001. Employer and employee contributions vary by employee. No alternate vendor provides LAFCO with comparable pensions for equivalent employer and employee contributions.
Los Angeles County Employee Retirement Association (LACERA)	Retiree Medical/Dental Insurance Benefits Administration	Memorandum of Understanding (MOU)	N/A (See Comments)	LAFCO executed an MOU and provided same to LACERA on 11/15/2017; MOU has no expiration date. LACERA has not yet invoiced LAFCO for services provided.
Teachers Insurance & Annuity Association of America	Office Lease	Lease	\$110,000	Commission approved a 10-year lease on August 11, 2011; lease expires on 11/30/2021. Lease includes annual rent increases. Annual cost does not correspond to fiscal year and does not include Common Area Maintenance (CAM) charges of approximately \$5,000-\$10,000 per year. Staff will explore lease renewal/alternatives in late 2020.
GE Capital Information Technologies Solutions, LLC	Konica/Minolta Photocopier	Lease	\$4,600	Staff solicited and received bids from three potential providers in March of 2016 and selected best option based upon cost and copier features.
Neopost	Postage Meter	Lease	\$1,521	Executive Officer executed a lease on 9/26/2016; lease expires in January 2022.
AT&T	Cell Phones	Agreement	\$3,600	Current agreements are set to expire in early 2021. LAFCO has used AT&T for wireless phones for more than a decade. AT&T provides good coverage, and its rates are comparable to other providers. There is no significant anticipated cost savings with an alternate provider.
Tropical Interior Plants	Plant Maintenance Services	No contract	\$1,200	LAFCO has used Tropical Interior Plants for more than a decade; staff is comfortable with the quality and service provided by Tropical Interior Plants. There is no significant anticipated cost savings with an alternate provider.
County Counsel	Legal services	No contract	\$120,000	LAFCO has used County Counsel for legal services for decades. There is no significant anticipated cost savings with an alternate provider. Costs are reported annually and approved by the Commission during the LAFCO budget process.

LA LAFCO Professional Services Agreements Summary Annual Report for 2020 (continued)
January 8, 2020

Provider	Service/Product	Status	Annual Cost	Comment(s)
Computer & Technology Solutions (CTS)	Computer Maintenance	No contract	\$6,600	LAFCO has used CTS for computer consulting for more than a decade. Staff is comfortable with the quality and service provided by CTS. There is no significant anticipated cost savings with an alternate provider. Costs are reported annually and approved by the Commission during the LAFCO budget process.
Davis Farr LLP	Annual Audit Services	Contract	\$7,500	Commission approved a four-year contract with Davis Farr on 8/10/2016 through a competitive RFP process involving five LAFCOs (Imperial, Los Angeles, Orange, Riverside, and San Bernardino) to secure lower bids and cost-savings.
Platinum Consulting Group (PCG)	Accounting, Budgeting, and Bookkeeping	No contract	\$25,000	LAFCO has used PCG consulting for more than a decade; staff is comfortable with the quality and service provided by PCG. PCG specializes in providing services to small governmental agencies, including many special districts and Orange LAFCO. PCG is substantially less expensive than previous provider(s) and offers a range of services (accounting, bookkeeping, and budgeting) suited to LAFCO's needs. Costs are reported annually and approved by the Commission during the LAFCO budget process.
CALPERS/CERBT	OPEB Trust Fund	Agreement	\$100	Commission approved an agreement with the California Employer's Retiree Benefit Trust Fund (CERBT) Division of the California Public Employees' Retirement System (CalPERS) on 5/9/2018; there is no expiration date.
Meijun Software Solutions	Website development services	Contract	\$18,000 one-time cost	The Commission awarded the contract on 11/14/2018; contract is a one-time cost. All services are to be performed by the end of 2019.
Recent contracts since last update				
E Mulberg Associates	Municipal Services Review for the Santa Clarita Valley Water Agency (SCVWA)	Contract	\$38,950	The Commission awarded the contract on 06/12/19; contract is one-time cost. MSR costs will be reimbursed By SCVWA.
Policy Consulting Associates	Municipal Services Review for the Cities of Agoura Hills, Calabasas, Hidden Hills, and Westlake Village	Contract	\$108,990	The Commission awarded the contract on 06/12/19; contract is one-time cost. The Cities of Agoura Hills and Calabasas, as well as Supervisor Khuel's Office have provided funding to offset the cost of the MSR/SOI Update.
RSG, Inc.	Municipal Services Review for the Cities of La Mirada and Whittier	Contract	\$48,000	The Commission awarded the contract on 06/12/19; contract is one-time cost. Consultant costs to be borne by the Commission as part of the FY 2019-20 Budget.
RSG, Inc.	Municipal Services Review for the Cities of the Consolidated Fire Protection District for the County of Los Angeles	Contract	\$108,656	The Commission awarded the contract on November 13, 2019; contract is a one-time cost. Consultant costs to be borne by the Commission as part of the FY 2019-20 Budget.

Staff Report

January 8, 2020

Agenda Item No. 9.e.

Proposed Changes to the Rules of the Commission

On March 22, 1995, the Commission adopted the “Rules of the Commission,” (“Rules”) thereby enacting policies concerning several administrative procedures for the commission to follow (copy attached). Staff is recommending several modest changes to make the Rules function more smoothly.

Staff is proposing that the Commission modify Sections 5, 10, 18, and 21, as follows:

SECTION 5. The regular meetings of the Local Agency Formation Commission shall be held on the second Wednesday of each and every month, commencing at the hour of 9:00 a.m. thereof, at Room 381B, of the Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, California 90012, unless cancelled or rescheduled by the Commission or the Commission Chair approves an alternate meeting location. If any regular meeting day falls upon a holiday, the regular meeting of the Commission shall be cancelled or rescheduled.

Staff Notes: Periodically, the County of Los Angeles needs to use Room 381B at the same time as the Commission schedules its regular meetings (9:00 a.m. on the second Wednesday of the month). Whenever this occurs, and due to the room change, staff must agendaize the meeting as a “special meeting” rather than a “regular meeting.” Removing the room number from the adopted Rules of the Commission will eliminate the need to schedule these meetings as a “special meeting.”

SECTION 10. The Commission shall be presided over by a Chair, a First Vice-Chair and a Second Vice-Chair, to be elected from amongst the members of the Commission, as provided for in Section 11 ~~14~~, below.

Staff Notes: This is a corrected reference to the paragraph that provides for the election of the Chair, First Vice-Chair and Second Vice-Chair.

SECTION 18. A majority of the members of the Commission constitute a quorum for the transaction of business. No act of the Commission shall be valid or binding unless a majority of ~~all~~ the members present concur therein.

Staff Notes: One could interpret Section 18, as presently drafted, to require a majority of the entire Commission (5 of 9 members), regardless of the number of commissioners present. This revision clarifies Section to require a majority of commissioners present in order to take an action.

SECTION 21. The Executive Officer, or in his/her absence the Deputy Executive Officer, or in the absence of both, staff so designated by the Executive Officer, of the Commission shall attend each meeting of the Commission and maintain a record of all proceedings thereof as required by law.

Staff Notes: Although it is unlikely, the Executive Officer and the Deputy Executive Officer may both be unavailable. This revision empowers the Executive Officer to designate a staff-member to fill in if necessary. A second change accommodates a modern gender reference for the Executive Officer position.

Recommendation

It is recommended that the Commission:

1. Adopt the revised “Rules of the Commission” with the change noted herein; and
2. Direct staff to post the revised “Rules of the Commission” to the LAFCO website.

RULES OF THE
LOCAL AGENCY FORMATION COMMISSION
FOR LOS ANGELES COUNTY

CHAPTER I
GENERAL PROVISIONS

SECTION 1. These rules shall apply to the Local Agency Formation Commission of the County of Los Angeles and are adopted pursuant to the authority vested in the Commission by Chapter 3 of Part 2, Division 3, Title 5 of the Government Code.

SECTION 2. Any rule may be amended, repealed, or adopted at any time by a majority vote of the Commission, provided, however, such action shall not affect any pending matter.

SECTION 3. Any rule may be temporarily suspended by unanimous consent of the Commission.

SECTION 4. Unless otherwise provided by these Rules, all proceedings before the Commission shall be conducted in accordance with, and pursuant to, the parliamentary rules of procedures as prescribed in "Robert's Rules of Order." Provided, further, that the failure to follow the parliamentary rules of procedures as prescribed in "Robert's Rules of Order" shall not invalidate any action taken by the Commission.

CHAPTER II

COMMISSION MEETINGS

SECTION 5. The regular meetings of the Local Agency Formation Commission shall be held on the second Wednesday of each and every month, commencing at the hour of 9:00 a.m. thereof, at Room 381B, Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, California 90012. If any regular meeting day falls upon a holiday, the regular meeting of the Commission shall be cancelled.

SECTION 6. Any regular, adjourned regular, special or adjourned special meeting of the Commission may be adjourned to any day prior to the date established for the next succeeding regular meeting of the Commission. If the date to which any such meeting is adjourned falls upon a holiday, the adjourned meeting shall be held at the same place on the next succeeding day which is not a holiday at the hour of 9:00 a.m., thereof, in which event all hearings and other matters before the Commission are continued to the same hour of the next succeeding day which is not a holiday.

SECTION 7. Any adjourned meeting of a regular meeting or adjourned regular meeting is part of the regular meeting.

SECTION 8. Special meetings of the Commission may be called in the manner provided by State law. The order calling the special meeting shall specify the time and place of the meeting and the business to be transacted at such meeting, and no other business shall be considered at that meeting. The Executive Officer shall

provide notice of special meetings to all members of the Commission and the public as required by State law.

SECTION 9. Commission members and alternates shall be paid a per diem of \$150 per meeting for attendance at a Commission meeting or a LAFCO-related meeting. Commission members and alternates shall be reimbursed for mileage travelled to and from such meetings within the County of Los Angeles. The mileage reimbursement rate shall be the standard mileage rate for business use of a vehicle set by the Internal Revenue Service (IRS), as adjusted by the IRS from time to time, unless the Commission determines otherwise. Commission members and alternates shall be reimbursed for the actual amount of their reasonable and necessary expenses incurred in attending meetings outside of the County of Los Angeles.

CHAPTER III

ELECTION, POWERS, AND DUTIES OF THE CHAIR AND VICE-CHAIRS, CONDUCT OF MEETINGS

SECTION 10 The Commission shall be presided over by a Chair, a First Vice-Chair and a Second Vice-Chair, to be elected from amongst the members of the Commission, as provided for in Section 14, below.

SECTION 11. The members of the Commission shall elect the Chair, First Vice-Chair and Second Vice-Chair at the first meeting of the Commission held in September of each year to serve until the election of their successors. In the event of a vacancy in the office of the Chair, First Vice-Chair or Second Vice-Chair, the next

succeeding officer shall serve as his or her replacement for the remainder of the term.

If no next succeeding officer is available to serve, the members of the Commission shall elect another member of the Commission to serve in that office until the end of the term.

SECTION 12. The Chair, when present, shall preside at all meetings of the Commission and shall conduct the business of the Commission in the manner prescribed by these rules. The Chair shall preserve order and decorum and shall decide all questions of order subject to the action of a majority of the Commission.

SECTION 13. In the absence of a quorum the members present shall adjourn the meeting until the same hours on the next succeeding day or to the next regularly scheduled commission meeting date. If all members are absent the Executive Officer of the Commission may adjourn the meeting to a stated time and place in accordance with Section 54955 of the Government Code.

SECTION 14. In the absence of, or inability to act of, the Chair, the First Vice-Chair shall preside over the meeting, and in the absence of, or inability to act of, the Chair and First Vice Chair, the Second Vice Chair shall preside over the meeting. When presiding over the meeting as provided for herein, the First or Second Vice-Chair shall have all of the powers and duties of the Chair.

SECTION 15. Each motion made by any member of the Commission shall require a second. Motions and seconds may be made by any member of the Commission, including the Chair.

SECTION 16. The roll need not be called in voting upon a motion except when requested by a member. If the roll is not called, in the absence of an objection, the Chair may order the motion unanimously approved. When the roll is called on any motion, any member present who does not vote in an audible voice shall be recorded as "aye."

SECTION 17. Each roll call of the Commission shall be in alphabetical order, except that the Chair shall be called last.

SECTION 18. A majority of the members of the Commission constitute a quorum for the transaction of business. No act of the Commission shall be valid or binding unless a majority of all the members concur therein.

SECTION 19. The Commission may postpone or continue any pending matter at any time either on its own motion or at the request of any person interested in the matter, as provided for by Section 56666 of the Government Code.

SECTION 20. A proposal filed with the Commission may be withdrawn by the proponent who filed the same, until a Certificate of Filing has been issued. A proposal may be withdrawn after a Certificate of Filing has been issued only with the approval of the Commission.

SECTION 21. The Executive Officer, or in his absence the Deputy Executive Officer, of the Commission shall attend each meeting of the Commission and maintain a record of all proceedings thereof as required by law.

SECTION 22. The Executive Officer shall prepare an agenda for each meeting. The agenda shall include those matters addressed to the Commission requiring its action on file with the Executive Officer and all matters which have previously been set for hearing at such meeting.

Staff Report

January 8, 2020

Agenda Item No. 10.a. Legislative Update

This is brief update given that the Legislature reconvened on Monday, January 6.

The CALAFCO Legislative Committee met on November 15, 2019, largely to consider these four (4) proposals for the Annual Omnibus Bill sponsored by CALAFCO and introduced every year by the Assembly Local Government Committee:

- **Principal County:** The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“Act”) defines “principal county” for multi-county districts in reference to changes of organization or reorganizations. This proposal would add language to clarify that the same principal county definition also applies to the determination of a Sphere of Influence (SOI). The proposal was submitted by Kai Luoma of Ventura LAFCO.
- **Out-of-Agency Service Agreements:** This proposal relocates a clause to the beginning (rather than its current location at the end) of Government Code § 56133. The change is non-substantive in nature and makes this section more readable. The proposal was submitted by Kai Luoma of Ventura LAFCO.
- **Composition of LAFCOs:** This proposal relocates three sections to more appropriate locations within Government Code §§ 56325 and 56325.1. The changes are non-substantive in nature and makes these sections more readable. The proposal also deletes two sections of Government Code §§ 56327 and 56327.3 as those sections no longer apply. Finally, the proposal eliminates a restriction Government Code § 56327 which prohibits the appointment of a public member or alternate public member on Santa Clara LAFCO for any resident of a city which already has a commissioner serving on Santa Clara LAFCO (this last item was added at the request of Santa Clara LAFCO). The proposal was submitted by Paul Novak.
- **Exemption for Dissolution of Inactive Districts:** In 2017, Governor Brown signed SB 448 (Wieckowski), a bill which requires LAFCOs to dissolve “inactive districts” as designated by the State Controller’s Office (SCO), and expedites the standard process to do so. This proposal would exempt LAFCO dissolutions of inactive districts from requiring the adoption of property tax resolutions. The proposal, which would further expedite LAFCO efforts to dissolve inactive districts, is consistent with the original intent of SB 448 (staff notes that the SCO has not identified any inactive districts in Los Angeles County). The proposal was submitted by Roseanne Chamberlain of Amador LAFCO.

Upon approval by the CALAFCO Board of Directors, these items will be submitted to staff of the Assembly Local Government Committee for consideration.

Staff Recommendation:

1. Receive and file the Legislative Update Report.



December 2, 2019

Los Angeles LAFCo
80 South Lake Avenue, Suite 870
Pasadena, CA 91101

Dear Chair and Commission:

On behalf of the California Association of Local Agency Formation Commissions (CALAFCO), I would like to thank your commission for allowing some of your members and/or staff the opportunity to attend the CALAFCO 2019 Annual Conference in Sacramento.

We understand that prioritizing expenditures can be challenging. Ensuring you and your staff have access to ongoing professional development and specialized educational opportunities, allows all of you the opportunity to better serve your commission and fulfill the mission of LAFCo. The sharing of information and resources among the LAFCo commissioners and staff statewide serves to strengthen the LAFCo network and creates opportunities for rich and value-added learning that is applied within each LAFCo.

Congratulations to the commission for being one of the recipients of the CALAFCO Government Leadership award this year.

Thank you again for your participation in the CALAFCO 2019 Annual Conference, I hope you found it a valuable experience. We truly appreciate your membership and value your involvement in CALAFCO.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Pamela Miller".

Pamela Miller
Executive Director

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LOCAL AGENCY FORMATION COMMISSION
FOR LOS ANGELES COUNTY



Local Agency Formation Commission
for the County of Los Angeles

11.b.

Commission

Jerry Gladbach
Chair

Donald Dear
1st Vice-Chair

Gerard McCallum
2nd Vice-Chair

Kathryn Barger
Richard Close
Margaret Finlay
Janice Hahn
John Mirisch
Greig Smith

Alternate Members

Lori Brogin-Falley
Sheila Kuehl
Judith Mitchell
Joseph Ruzicka
David Ryu
Vacant
(Public Member)

Staff

Paul Novak
Executive Officer

Adriana Romo
Deputy Executive Officer

Amber De La Torre
Doug Dorado
Michael Henderson
Alisha O'Brien
Patricia Wood

80 South Lake Avenue
Suite 870
Pasadena, CA 91101
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Fax: 626/204-6507

www.lalafco.org

December 17, 2019

The Honorable Nury Martinez
City Council President
City of Los Angeles
Room 470, City Hall
200 North Spring Street
Los Angeles, CA 90012

Dear Council President Martinez:

Congratulations on your election as the new City Council President.

I am the Executive Officer of the Local Agency Formation Commission for the County of Los Angeles (LAFCO). LAFCO is an independent public agency with authority over the boundaries and service territories of the 88 cities and 91 special districts in Los Angeles County.

Pursuant to Government Code Section 56326(d), and as the presiding officer of the legislative body of the City of Los Angeles, you are the sole authority empowered to appoint the City's Voting Member and Alternate Member on the Commission.

The current Voting Member representing the City of Los Angeles is Councilman David Ryu. Councilman Ryu was appointed your predecessor, former Council President Herb Wesson. The Alternate Member representing the City of Los Angeles (a position formerly held by Councilman Ryu) is currently vacant.

I am writing to request that you appoint an Alternate Member representing the City of Los Angeles to the Commission (commissioner (Voting Member) to LAFCO at your earliest convenience.

Should you or your staff have any questions, please do not hesitate to contact me.
Thank you.

Sincerely,

Paul A. Novak, AICP
Executive Officer

Copy to: The Honorable David Ryu, Councilman, 4th District
LAFCO Commissioners
Mr. Ackley Padilla, Sixth District Chief of Staff