



Municipal Service Reviews and Sphere of Influence Updates County Wide Community Services Districts

LAFCO 2021-01-1,2,4 & 5

Public Review Draft

September 8, 2021

**All Comments shall be submitted no later than October 8, 2021
in order to be addressed in the Public Hearing Draft Report
and Response to Comments.**

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I. EXECUTIVE SUMMARY

California state law establishes Local Agency Formation Commissions (LAFCOs) within each county for the purpose of establishing boundaries and spheres of influence (SOIs) for cities and special districts under their purview, and to authorize the provision of services within the approved service areas. This report prepared by Riverside LAFCO (LAFCO) contains Municipal Service Reviews (MSR) on the six Community Service Districts (CSD) within Riverside County (County). An MSR is a state required comprehensive study of services within a designated geographic area. The service review requirement is codified in the Cortese-Knox-Hertzberg Government Reorganization Act of 2000 (CKH), Government Code section 56000 et seq. The intent of this MSR is to conduct comprehensive Sphere of Influence (SOI) updates for each of the subject CSDs. The proposed MSR and SOI Update determinations are located at the end of each CSD's Chapter in this report, with recommended SOI updates in this Executive Summary.

For purposes of this MSR and SOI Update, those CSDs that provide water and/or wastewater services in conjunction with other services provided, will not be reviewed for water/wastewater. Those services were reviewed during the Countywide Water and Wastewater MSR process in 2019. Only those services unrelated to water/wastewater are reviewed. Financial information noted in this MSR has been extrapolated where necessary and feasible to ensure the financial review focuses solely on the services being reviewed to the best extent practicable.

The six CSDs being reviewed in this MSR have not had an MSR review since the 2005/2006 timeframe for the services being reviewed. The CSDs considered in this MSR and SOI Update are listed in **Table I-1**, below:

Table I-1, Community Service District List/Locations

COMMUNITY SERVICE DISTRICT	LOCATION
De Luz CSD	Portions of Santa Rosa Plateau, west of Temecula
Edgemont CSD	Portions of Cities of Riverside and Moreno Valley
Jurupa CSD	Cities of Jurupa Valley and Eastvale
Rubidoux CSD	City of Jurupa Valley
Southern Coachella Valley CSD	Communities of Mecca, Oasis, Thermal and Santa Rosa and outlying areas
Tenaja CSD	Portions of the Santa Rosa Plateau, west of Murrieta

Municipal Service Review Determinations

CKH requires LAFCOs to review and update SOIs not less than every five years and to conduct municipal services reviews before updating SOIs. The service reviews provide

LAFCOs with a tool to study existing and future public service conditions comprehensively and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are provided efficiently.

Government Code section 56430 requires LAFCOs to conduct a review of municipal services provided in the county by region, sub-region or other designated geographic area, as appropriate, for the service or services to be reviewed, and prepare a written statement of determinations with respect to each of the following topics:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR process does not require LAFCOs to initiate changes of organization based on service review findings. It only requires that LAFCOs make determinations regarding the provision of public services per Government Code section 56430. MSRs are not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15306. CEQA Guidelines Section 15306 consists of “basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.” The ultimate outcome of conducting a service review, however, may result in LAFCOs making recommendations on a change of organization or reorganization.

Sphere of Influence Determinations

In 1972, LAFCOs were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by CKH, “a ‘sphere of influence’ means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission” (Government Code section 56076). SOIs are designed to both proactively guide and respond to the need for the extension of infrastructure and delivery of municipal services to areas of emerging growth and development.

The requirement for conducting MSRs was established as an acknowledgment of the importance of SOIs and recognition that periodic reviews and potential updates of SOIs

should be conducted. LAFCOs are required to make five written determinations in accordance with Government Code section 56425 when establishing, amending, or updating an SOI for any local agency that address the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

CSD Sphere of Influence Update Recommendations

The proposed MSR and SOI Update determinations are located at the end of each CSD's Chapter in this report. The recommended SOI Updates for each CSD are provided below. Each SOI recommendation and additional current or future options are discussed in greater detail in each agency's analysis further in the report.

De Luz CSD- Expand the current SOI to include the “donut hole” within the District jurisdictional boundaries commonly referred to as the Walker Basin area.

Edgemont CSD- Maintain the current SOI which is coterminous with the District jurisdictional boundaries.

Jurupa CSD- Maintain the current SOI as updated in 2020.

Rubidoux CSD- Maintain the current SOI as updated in 2020.

Southern Coachella Valley CSD- Maintain the current SOI as updated in 2007, which is geographically smaller than the District jurisdictional boundaries.

Tenaja CSD- Maintain the current SOI which is coterminous with the District jurisdictional boundaries.

II. INTRODUCTION

In 1997, the State Legislature convened a special commission to study and make recommendations to address California's rapidly accelerating growth. The Commission on Local Governance for the 21st Century (LG) focused their energies on ways to empower the already existing LAFCOs, originally established in 1963.

The LG Commission's final report, *Growth Within Bounds*, recommended various changes to local land use laws and state LAFCOs statutes. Assembly Speaker Bob Hertzberg, in 2000, incorporated many of the recommendations of the Commission into Assembly Bill 2838, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The law provided LAFCOs with additional powers and responsibilities.

Beginning in 2001, LAFCOs in each county in California were required to review and, as necessary, update the SOI of each city and special district. SOIs are boundaries, determined by LAFCOs, which define the logical, ultimate service area for cities and special districts. No SOI can be updated, however, unless LAFCOs first conduct an MSR.

Historically, MSRs and SOI updates have been sporadic at best and not performed as intended by the statutes. Although LAFCO completed an initial round of MSR/SOI updates after the initial requirements were implemented, updates have occurred somewhat sporadically since, with some agencies not having had an MSR or SOI update in 15 years. As part of the Five-Year Strategic Plan adopted in January of 2020, a schedule was developed to bring these agencies current with respect to the statutes governing these reviews.

Combined Municipal Service Review and Sphere of Influence Update

An MSR is a comprehensive study of services within a designated geographic area prior to completing an SOI update. The SOI update and requisite MSR is required to be performed every five years or as necessary. The intent of this MSR is to conduct SOI updates for each of the subject CSDs. The CSDs have not been subject to an MSR or SOI Update since 2005/2006 timeframe with the exception of those that provide water and or wastewater services. Those services were reviewed in the 2019 Countywide Water/Wastewater MSR.

For purposes of this MSR and SOI update, those CSDs that provide water and/or wastewater services in conjunction with other services provided, will not be reviewed for water/wastewater. Only those services unrelated to water/wastewater are reviewed. Financial information noted in this MSR has been extrapolated where necessary and feasible to ensure the financial review focuses solely on the services being reviewed to the best extent practicable.

The proposed MSR and SOI Update determinations are located at the end of each CSD's Chapter in this report, with recommended SOI updates in the Executive Summary. This report will address the six Community Services Districts listed in **Table II-1** following:

Table II-1- Community Service District List/Services Provided

COMMUNITY SERVICE DISTRICT	AUTHORIZED SERVICES
De Luz CSD	Road Maintenance and Construction, Solid Waste Collection and Supplemental Law Enforcement
Edgemont CSD	Streetlighting and Wastewater
Jurupa CSD	Recreation and Parks, Landscaping, Street Lighting, Graffiti Abatement and Water/Wastewater
Rubidoux CSD	Fire Protection, Solid Waste Collection, Weed Abatement, Street Lighting and Water/Wastewater
Southern Coachella Valley CSD	Supplemental Law Enforcement and Solid Waste Collection
Tenaja CSD	Road Maintenance, Utility Undergrounding

Municipal Service Reviews

SOIs are boundaries, determined by LAFCOs, which define the logical, ultimate service area for cities and special districts. No SOI can be updated, however, unless LAFCOs first conduct an MSR. MSRs evaluate how agencies currently provide municipal services within their agency service area and evaluate the impacts on those services from future growth and other changes that may occur over the next 10 to 20 years. The MSR report is also required to identify potential opportunities to address any shortfalls, gaps, and/or impacts on services and governmental structure that may currently exist or are anticipated in the future.

The MSR process does not require LAFCOs to initiate changes of organization based on service review findings. California Government Code section 56430 does require, however, that LAFCOs, upon receipt and consideration of an MSR, adopt written determinations addressing each of the following areas:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.

7. Any other matter related to effective or efficient service delivery, as required by commission policy.

Spheres of Influence Updates

An SOI is an approved plan by LAFCOs that designates an agency's probable future boundary and service area. SOIs are planning tools used to provide guidance for individual boundary change proposals and are intended to encourage efficient provision of organized community services and prevent duplication of service delivery. Territory cannot be annexed by LAFCOs to a city or a district unless it is within that agency's sphere. The purposes of the SOI include the following: to ensure the efficient provision of services, discourage urban sprawl and premature conversion of agricultural and open space lands, and prevent overlapping jurisdictions and duplication of services.

LAFCOs cannot regulate land use, dictate internal operations or administration of any local agency, or set rates. However, LAFCOs are empowered to enact policies that indirectly affect land use decisions. On a regional level, LAFCOs promote logical and orderly development of communities as it considers and decides individual proposals. LAFCOs have a role in reconciling differences between agency plans so that the most efficient urban service arrangements are created for the benefit of current and future area residents and property owners.

LAFCOs are empowered to adopt, update and amend any agency's SOI. They may do so with or without an application, and any agency or interested person may submit an application proposing an SOI amendment. LAFCOs may recommend government reorganizations to particular agencies in their county, using the SOIs as the basis for those recommendations.

LAFCOs are required to make five written determinations in accordance with Government Code section 56425 when establishing, amending, or updating an SOI for any local agency that address the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Disadvantaged Unincorporated Communities

On October 7, 2011, Governor Brown signed SB 244, which made two principal changes to CKH. SB 244 requires LAFCOs to: (1) deny any application to annex to a city territory that is contiguous to a disadvantaged unincorporated community (DUC) unless a second application is submitted to annex the disadvantaged community as well; and (2) evaluate disadvantaged unincorporated communities in an MSR upon the next update of an SOI after June 30, 2012. The intent of the statute is to encourage investment in DUCs that often lack basic infrastructure by mandating cities to include them in land use planning, and LAFCOs when considering annexation proposals. SB 244 defines a DUC as any area with 12 or more registered voters, or as determined by commission policy, and where the median household income is less than 80 percent of the statewide annual median household income.

Although DUCs are applicable primarily to cities, it is important to consider them with respect to services provided by special districts, in particular those special districts that provide water, wastewater and fire protection services. Not all cities provide water and wastewater services, therefore consideration of DUCs not included in a specific special district boundary or SOI should be identified and reviewed.

MSR Approach and Review Opportunities

A collaborative approach has been used throughout the preparation of this MSR/SOI update report. Initially, an introductory letter was sent to each CSD advising them of the upcoming MSR/SOI process. All information readily available in historical files or on each CSD's website was reviewed for applicability to the MSR/SOI update technical analysis and report. Any information missing or requiring clarification was then sent to each CSD in the form of a questionnaire, requesting the information/clarification. Follow up on the responses to the questionnaire were performed when necessary.

Once an agency's information in hand was considered sufficient to develop the MSR/SOI update report, their specific Chapter of the overall report was generated and then sent to the specific CSD for their review, comments, and any additional input they desired to be included. Any comments received were considered, incorporated where appropriate, and finalized. After finalization of all of the CSDs' Chapters, the Draft Public Review report was made available for publication and comments by the public and any agency/organization. A Final Draft MSR/SOI Update report is then generated addressing any comments received during the public review process and scheduled for a noticed public hearing before the LAFCO Commission. Additional comments will be taken during the public hearing and addressed. Upon final action by the LAFCO Commission for the MSR and SOI recommendations/determinations, a Final Report incorporating any revisions and/or direction provided by the LAFCO Commission will be completed and published. Any SOI recommendations and/or determinations not adopted with the MSR will be brought back to the Commission at a subsequent public hearing for final SOI adoption.

III. BACKGROUND

Riverside County Overview

Riverside County encompasses more than 7,300 square miles, roughly 180 miles across from Los Angeles and Orange Counties in the West to the Arizona border. Riverside County also borders San Bernardino, San Diego and Imperial Counties. Riverside is the fourth largest county in California in both size and population, and the 10th most populous county in the United States.

Riverside County is one of two counties that comprise the “Inland Empire” portion of the Southern California Association of Governments (SCAG) Metropolitan Planning Area. Between 2015 and 2040, as projected in SCAG’s 2016 Regional Transportation Plan, the SCAG region is projected to add approximately 3.8 million people, increasing the total regional population to approximately 22.1 million. This represents an increase of approximately 17%. This growth means that the SCAG region will continue to be California’s second-largest population and economic center. During this same period, the number of households is expected to increase by approximately 1.6 million to 7.6 million in the SCAG region. There are currently 28 cities, 58 independent special districts, and 42 county service areas within the County. County population growth is anticipated to increase by 20% during the 2020 to 2040 forecast period. Refer to **Table III-1** below:

Table III-1 Riverside County Population, Employment and Housing Projections-2020-2040

<u>Category</u>	<u>2020</u>	<u>2040</u>	<u>Growth 2020-2040</u>	<u>Percent Change</u>
Population	2,449,299	2,933,038	483,739	+20%
Employment	1,057,900	1,174,500	116,600	+11%
Households	724,893	1,086,000	361,107	+50%

Source: Calif Dept of Finance, SCAG, Riverside County

For the past 18 months, the COVID-19 pandemic has placed significant economic burdens on all local governments to fund services. As the County emerges from the pandemic, it remains to be seen how adequate of a recovery is realized with respect to growth. Overall the County continues to experience growth and the increasing challenge of meeting state mandated demands for increased housing.

Riverside County Community Services Districts

A special district is a separate local government that delivers a limited number of public services to a geographically limited area. Special districts have four distinguishing characteristics. They are a form of government, have governing boards, provide services and facilities, and have defined boundaries. Most special districts such as water and wastewater districts, cemetery districts, mosquito and vector control districts, fire

protections districts, etc., provide just one or two services.

CSDs generally provide several types of services that are authorized under Government Code section 61000 et. seq. This section of the Government Code provides for a large and diverse number of different services a CSD may provide. Services specifically authorized to be provided are generally identified at formation of the CSD or later through an activation process by LAFCOs. All services not provided are considered “latent powers” and require LAFCOs authorization to add that service.

State legislation that went into effect in 2006 required all LAFCOs to certify the existing services being provided by each CSD thus establishing these services as “authorized”. Any services that were not provided, but technically authorized under Government Code section 61000 et seq., would then be deemed as “latent powers” requiring LAFCO approval to activate that service. LAFCO certified the authorized services for each of the six CSDs in January 2007.

There are six CSDs within Riverside County. De Luz CSD is located in a portion of the Santa Rosa Plateau, west of the City of Temecula. Edgemont CSD is located within a portion of the Cities of Riverside and Moreno Valley. Jurupa CSD is located within the Cities of Eastvale and Jurupa Valley. Rubidoux CSD is located within the City of Jurupa Valley with a small extension into San Bernardino County. The Southern Coachella Valley CSD comprises a large area of unincorporated County territory south of Coachella including the Communities of Mecca, Oasis, Thermal and Vista Santa Rosa. Tenaja CSD is located in a portion of the Santa Rosa Plateau, west of Murrieta.

These six CSDs were formed many years ago when almost all the territory encompassed by them was unincorporated County territory. The purpose of their respective formations was to provide services that were either not being provided sufficiently to those areas or did not exist. Three of the CSDs are currently enveloped either fully or partially into cities, and three CSDs remain within unincorporated County territory.

Covid-19 Pandemic

During the initial 6-12 months of the COVID-19 virus pandemic, the virus had exponentially spread throughout the world and the United States, resulting in the infection of large segments of populations in all states, including California. Additionally, the death rate from the virus was significantly greater than previous Covid type viruses with no immediate treatment remedies nor vaccines available.

The state implemented several measures to attempt to control the spread of the virus including a statewide stay-at-home order, alternating shutdowns and partial re-openings of many parts of the economy. The impact on the economy, in particular small businesses and employment, was massively significant. As a result, with the economic downturn, local governments began seeing significant decreases in various revenues and in many cases, service impacts.

Although federal stimulus funding is being provided to local governments to assist in offsetting some revenue losses, many local governments expect to encounter fiscal challenges in the coming years due to revenue shortfalls, loss of businesses, and high unemployment. It is unclear to what extent the economic downturn and recovery from the pandemic will directly impact the CSDs reviewed in the MSR/SOI Update. Most of the CSDs rely on property tax and special assessment revenues which are generally unaffected to a great extent by economic downturns unless property values are significantly impacted.

IV. CSD PROFILES & MSR/SOI DETERMINATIONS

This section provides individual profiles for each of the six CSDs. Each individual CSD profile provides:

- A brief background/history of the agency
- A general profile of agency services, infrastructure, and financial information
- A boundary map with a sphere of influence boundary overlay
- A detailed discussion of agency operations and finances
- Recommended MSR Determinations
- Recommended SOI Determinations

Chapter 1- De Luz CSD

OVERVIEW / BACKGROUND

De Luz Community Services District (DLCSD or District), formerly known as the Santa Rosa Community Services District until 2007, was established in 1978 under the provisions of the Community Services District Act (Government Code section 61000 et seq.). The District is comprised of approximately 20,000 acres (31 sq. miles) in the Santa Rosa plateau, a mountainous area situated due west of the City of Temecula. The area is primarily agricultural in nature, with most of the acreage planted with avocado and citrus groves, and serving a population of approximately 2,300. The District is divided into five geographical zones for assessment purposes.

Approximately 60% of the area covered by the District was originally developed by the Kaiser-Aetna Corporation. The corporation subdivided the lots and built the majority of the approximately 80 miles of roads within the District territory. These privately maintained public roads were originally maintained by either the adjoining property owners, or by one of five homeowner associations created coincidentally with the initial sale of lots by the developer. Following the winter storms of 1977-1978, area property owners determined that some public agency should have the responsibility for road maintenance, as well as other needed public services, and petitioned LAFCO to create a Community Services District.

When established DLCSD was authorized to provide three services: road construction and maintenance, solid waste collection, and supplemental law enforcement services. These services were affirmed by LAFCO on January 25, 2007 per the requirements of SB 135, chaptered into law in 2005. DLCSD has not indicated any plans for expanding services additional to the current services provided. Available latent powers that the District is authorized under Community Service District statutes that the District may desire to provide would require a public hearing and formal authorization from the LAFCO Commission.

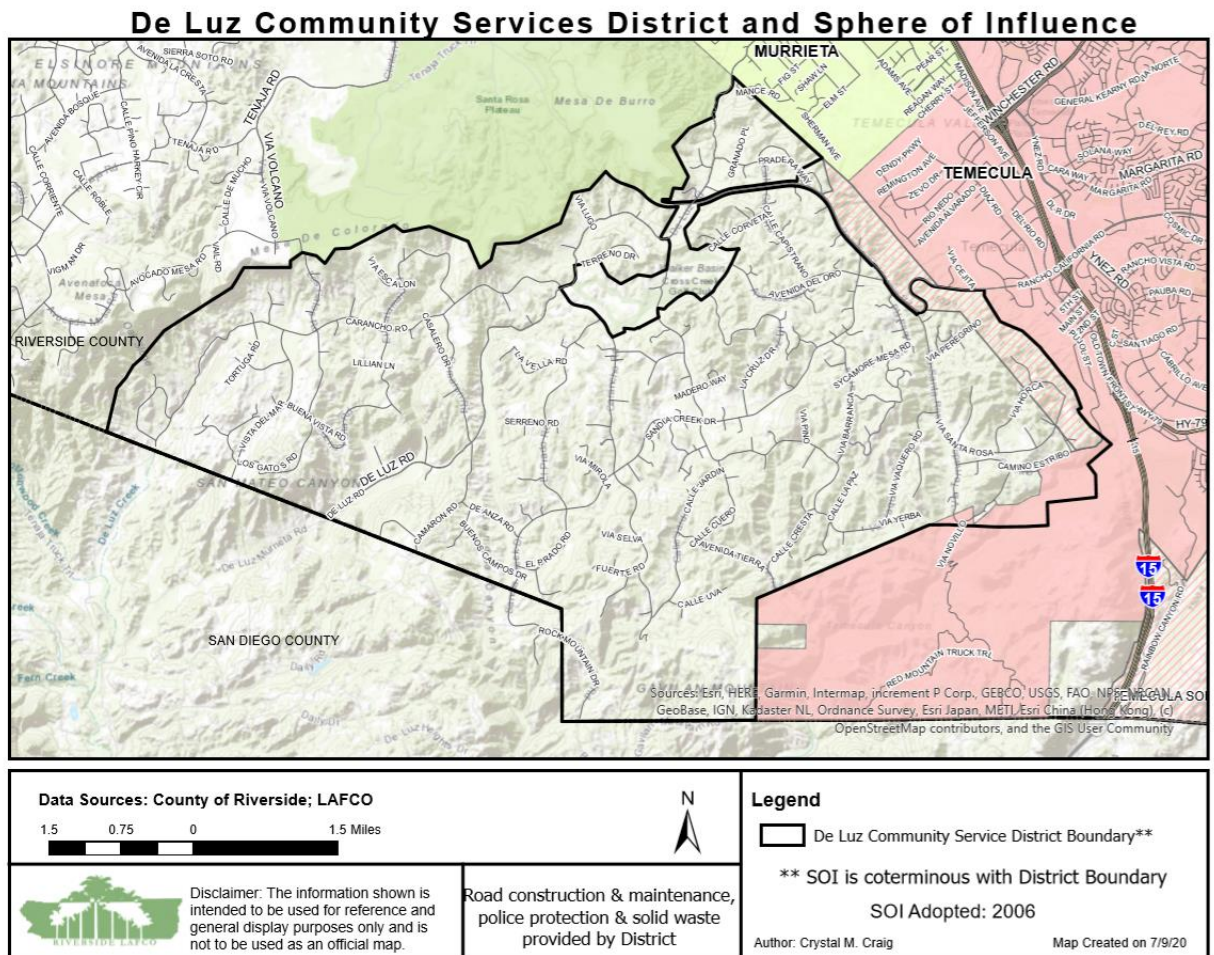
DLCSD does not provide any services outside of its service boundary. DLCSD's sphere of influence is coterminous with its current service boundary.

Table 1-1 on Page 13 provides a snapshot profile of DLCSD. A map of the District's current boundary and SOI is shown in **Figure 1-1** on Page 14.

Table 1-1- Profile- De Luz CSD

General Information			
Agency Type	Municipal - Community Services District		
Principal Act	Section 61000 et. Seq. of the California Government Code		
Date Formed	1978 (Formerly the Santa Rosa Community Services District)		
Services Provided	Road Maintenance/Construction, Solid Waste Collection, Supplemental Law Enforcement		
Location	Santa Rosa Plateau, west of the City of Temecula. Office location: 41606 Date Street, Suite 205, Murrieta, CA, 92562, (951) 696-0060		
Sq. Miles/Acres	Approximately 20,000 Acres (31 sq. miles)		
Contact	James E. Emmons, General Manager jemmons@deluzcsd.org		
Website	www.deluzcsd.org		
Population Served	Approximately 2,300		
Last SOI Update	2006		
Governance/Staffing			
Governing Body	5-member Board of Directors, elected at-large		
Terms	4-year staggered terms		
Meeting Information	3rd Wednesday of the Month at 6:00 pm at the District office- 41606 Date Street, Suite 205, Murrieta, CA 92562		
Total Staff	6 employees		
Staff Categories	General Manager, Finance Manager, Admin Asst, Maintenance		
Facilities/Other Infrastructure			
Facilities	District Office Facility		
Other Infrastructure	86 miles of public roadways		
Financial Information- FY 19/20 Actuals (Audited Financial Statements)			
	Revenues	Expenditures	Net Surplus/(Deficit)
General Fund **	\$4,413,320	\$4,303,056	\$110,264
Restricted Funds	N/A	N/A	N/A
Combined Funds	\$4,413, 320	\$4,303,056	\$110,264
	FY 19/20	Long Term Planned Expenditures	
Capital Expenditures	\$22,491	None.	
General Fund Balance	\$6,918,356	June 30, 2020 Financial Statement	
Restricted Funds Balance	N/A	June 30, 2020 Financial Statement	
Unrestricted Net Assets	\$6,918,356	June 30, 2020 Financial Statement	
Capital Assets	\$11,125,278	June 30, 2020 Financial Statement	
Net Position (Combined)	\$18,043,634	June 30, 2020 Financial Statement	
Debt & Unfunded Pension/OPEB Liabilities- Year Ending June 30, 2020			
Long Term Debt	DLCSD has no long-term bond or secured debt		
Unfunded Pension Liability	DLCSD has \$1,164,027 in unfunded pension liability.		
Unfunded OPEB Liability	DLCSD has no unfunded OPEB liability		
Notes			
** For FY 19/20, includes federal Disaster Relief Grant Revenue.			

Figure 1-1- Boundary/SOI Map – De Luz CSD



GROWTH AND POPULATION PROJECTIONS

DLCSO currently services a population of approximately 2,300 over a geographical area of approximately 31 square miles. The District's service area has significant potential for growth, however, growth has only been occurring at a slow pace as compared to other areas in the adjacent cities. The District is primarily agricultural in nature, with most of the land planted with avocado and citrus groves. Therefore, no significant increase in construction for housing or commercial development nor any substantial population growth is anticipated in the foreseeable future.

ACCOUNTABILITY AND GOVERNANCE

DLCSO is governed by a five-member Board of Directors, elected at large to four-year staggered terms. The DLCSO Board meets every 3rd Wednesday of the month at 6:00 p.m. at the District Office, located at 41606 Date Street, Suite 205, Murrieta, CA 92562. The District's Board of Directors consists of a President, a Vice-President, a Treasurer and two Directors. There are no current vacancies on the Board. Additionally, there are two committees that meet to provide more specified leadership in certain areas. These

two committees include the Finance Committee and the Engineering Committee. There is also an Ad-Hoc Walker Basin Committee that meets on an as-needed basis.

DLCSD Board of Directors	Term Expires
Mariann Byers	2021
Michael S. Adams	2021
Robert D'Alessandri	2023
Debbie Roberts	2023
Raymond W. Johnson, Director	2021

Meeting agendas are posted on the District's website along with all Board approved minutes and audio/video recordings for public access. Additionally, the District publishes periodic newsletters, also available on-line, and utilizes social media for the public containing relevant current information on events, road closures, announcements and other items of interest.

In general, the District website is very well organized and hosts a wide variety of information for public access. In addition to those items previously mentioned, updates for important events and other information regarding road projects, public safety and other relevant items, and contact information for District staff are included. Additionally, pertinent financial information for the District including budgets, audits, assessment and permit fee information, and a link to the State Controller's website for compensation information are all available. As mentioned, agendas are available on the website, however no staff reports are posted, and there are no direct email addresses to contact Board members for direct access. The District should consider adding these features to its website.

The District reports that complaints received generally involve road closures, potholes, and illegal dumping. Complaints are received by email, telephone or in person contact. Complaints are initially handled by the Office Manager, or appropriate other staff to address. If unresolved, the General Manager will meet with the complainant and attempt to resolve the matter. District staff categorizes complaints and reviews the data on a regular basis for management purposes. The Board and designated staff maintain Form 700 disclosures and ethics training current, and staff performance evaluations are conducted annually by the General Manager.

SERVICES – FACILITIES- INFRASTRUCTURE

Service Overview

DLCSD currently provides road construction and maintenance, solid waste collection, and supplemental law enforcement services within its boundaries. The District contracts with the Riverside County Sheriff Department for Supplemental Law Enforcement services, with CR&R Incorporated for solid waste collection services, and various private companies for specific road construction and maintenance projects. Additionally, the District contracts for annual audit services and legal counsel as needed. The District does not provide contract services to other agencies.

Construction & Maintenance of Roads:

DLCSO was granted the powers of a County Road Commissioner under the provisions of Government Code section 61621.5 when the District was formed. The District reports that 86 miles of privately maintained roads receive construction and maintenance services from the District. The District is divided into five geographical zones for road maintenance purposes.

In an attempt to achieve equity in costs, the maintenance of the primary roads, and the general and administrative costs are shared equally on a 'per acre' basis by all property owners within the District. The cost of maintaining the secondary roads is shared equally on a 'per acre' basis by the property owners of the zone in which those roads are located.

The District adopted road construction standards, which are similar to County requirements, for the construction of primary, secondary and cul-de-sac roads. The District has established a Pavement Management Program which identifies the overall condition of the pavement on the roads. Each year prior to the adoption of the budget, District staff performs a visual inspection of all District maintained roads and recommendations are made to the Board of Directors for any maintenance or other improvements identified.

In 1987 the District took over the County's responsibility for issuance of permits for work within District maintained rights-of-way. This change facilitated the permit process for property owners. Permits for driveways, fences, landscaping, and utility installations are issued by the District. The improvements are inspected prior to issuance, during construction, and after completion to assure compliance with District standards, as dictated by the District's Ordinance Code. The District is also responsible for local review of traffic situations, and when appropriate, adopts ordinances for the erection of traffic control signs.

Additionally, the District is involved with the conditioning of parcel maps at the County approval level, allowing for the evaluation of subdivisions and how they will affect the existing roads. In 2001, the Temecula Office of the California Highway Patrol added the District to its regular patrol area. Both the CHP officers and the District's Deputy Sheriffs can use radar to enforce speed laws in the District.

Supplemental Law Enforcement:

Beginning in 1989, the District began contracting with the Riverside County Sheriff Department for a Deputy Sheriff dedicated to serving the District. This situation proved so successful that in 1990, the District was asked by the property owners to increase the level of contract deputies to two. Unfortunately, due to accumulated rate increases by the Sheriff's Department and the constraints of Proposition 218 regarding assessment increases to offset costs, staffing level was returned to one dedicated Deputy in 2014, and remains at that level under the current contract.

Solid Waste Collection:

Solid Waste collection services are performed by CR&R, Incorporated under a franchise agreement. Solid Waste services to residences is performed on a weekly basis, with commercial/agricultural services set by individual contracts. All service fees are collected directly by CR&R, Incorporated.

Facilities/Infrastructure

As previously noted, DLCSD has responsibility for maintenance and construction of 86 miles of roadways throughout the District. Approximately 22% are major collector roads, 42.7% are minor collector roads, and 19.3% are local roadways. Additionally, the District maintains traffic control signs along the roadways, and performs other right of way maintenance services. DLCSD also maintains the District office facility located on Date Street in Murrieta under a site lease agreement with the Municipal Finance Corporation (MFC) which specifies the District as the lessor and MFC as the lessee. The District leases back the office building from MFC. The maturity date on the lease is 2025.

Service Adequacy

DLCSD is generally providing services at an adequate level, however the District has noted that revenues are failing to keep pace with the cost of providing the road maintenance and supplemental law enforcement services. This is reflective of the restrictions imposed by Proposition 218 on assessment increases, and lack of other funds, most notably fuel taxes dedicated to road maintenance not available to a CSD as they are for cities and the County. The District held a ballot measure election in FY 2014/2015 for an assessment increase, however that measure failed to pass.

DLCSD does perform an aggressive road maintenance program annually given the resources available, however the purchasing power of available revenues over the years has dramatically decreased with respect to costs. Additionally, this same issue has affected the District's ability to provide the supplemental law enforcement service the residents' desire. Starting in 1990, two dedicated County Sheriff deputies were contracted by the District for a 40-hour work week. However, in 2014, the District was forced to reduce that to the current service level of one dedicated deputy, 40 hours per week.

Since its existence, DLCSD has provided the services it has intended to provide, although at levels that are not as ideal as the District would like to provide due to the revenue restrictions that the District must operate under.

Facilities/Infrastructure Needs

DLCSD indicates that maintenance support of existing and future roads will be impacted due to the previously noted financial constraints under which the District operates. There most likely will be some requirements for additional road construction/maintenance

infrastructure depending on the level and type of future development. There are no known requirements for any other infrastructure such as new buildings foreseen.

The District does not utilize a 5-year Capital Improvement Program for facilities or road infrastructure improvements. The District does not anticipate funding additional facilities, and it utilizes the Pavement Maintenance Program previously mentioned for assessing priority road maintenance and improvements on an annual basis as part of the District budgeting process.

Cooperative Programs

DLCSD does not participate in cooperative programs other than those contractual relationships with the Riverside County Sheriff Department and CR&R, Incorporated, however the District does report that they work closely with the County regarding conditioning of parcel maps at the County approval level within the District boundaries, allowing for the evaluation of subdivisions and how they will affect the existing roads.

DLCSD is not a member of any Joint Powers Authority, nor does the District participate in any regional planning programs. DLCSD is a member of the California Special Districts Association.

FINANCIAL OVERVIEW

DLCSD carries all operational budgeting and accounting in one overall governmental fund (General Fund), however, does maintain internal accounting procedures for ensuring benefit zone and assessments and expenditures are allocated properly to the benefiting zone. Therefore, for Financial Statement reporting, all revenues and expenditures and other reporting requirements are identified to one single fund. Benefit Fees (property assessments) comprise the most significant source of revenues for the General Fund, followed by Franchise Fees and to a lesser extent Development Mitigation Fees, Permit Income, Interest Earnings and Miscellaneous Income. However, the District has obtained a substantial Federal Disaster Relief Grant recently for repair of infrastructure damage sustained during the winter storms in 2019 that encumbered the District. The Benefit Assessment Fees are categorized into two accounting funds, one for road maintenance expenditure purposes, and one for the supplemental law enforcement services.

Road maintenance and improvements comprise the most significant expenditures for the District, followed by General/Administrative expenditures, and the Supplemental Law Enforcement County Sheriff contract expenditure. DLCSD has no debt, and no other significant long-term liabilities other than the unfunded pension liability with CalPERS. The District conducts an independent audit annually, the last three years reflecting an “unmodified” opinion, and provides all required reporting to the State Controller’s Office as required by statutes.

Overall, the financial position of the District is considered relatively stable at this time, with more than sufficient unrestricted fund balance available for short term potential

revenue/expenditure deficits. However, as noted previous, the annual escalating costs of providing services outdistancing the annual increase in revenues is noteworthy. Lacking the ability to raise additional revenue without voter support or by other legislative means, adequate service provision could be in jeopardy.

The District continues to identify additional or increased revenue sources such as a ballot measure in FY 2014/15 to increase benefit assessments, but failed, and legislation in 2019 that did not move forward to provide the District a share of state fuel taxes that are provided to local governments for road maintenance purposes. New legislation in 2021 was being proposed again and the District is engaging in discussions with the County over potential assistance as the roadways are not private roads, but public roads within an unincorporated area. Additionally, in 2001 the District implemented a Development Impact Fee program to provide mitigation funding to offset costs of road infrastructure improvements that become necessary as a result of new development.

Table 1-2 following, provides a snapshot of key financial data from the last three fiscal years. An analysis of the data related to several key financial status and financial health indicators follows.

Table 1-2- Financial Information – DLCSD (Source- Audited Financial Statements)

Financial Information (Actuals)			
	FY 19/20	FY 18/19	FY 17/18
General Fund Revenues*	\$4,413,320	\$2,566,567	\$2,865,477
General Fund Expenditures*	\$4,303,056	\$2,992,191	\$2,636,083
General Fund Surplus/(Deficit)	\$110,264	(\$425,624)	\$229,394
Restricted Funds Revenue **	N/A	N/A	N/A
Restricted Funds Expenditures **	N/A	N/A	N/A
Restricted Funds Surplus/(Deficit) **	N/A	N/A	N/A
Capital Expenditures (Depreciable)	\$22,491	\$117,208	\$2,750
Debt Service Expenditures	None	None	None
Long Term Liabilities (Excludes Pension)	\$226,924	\$269,270	\$305,187
Unassigned Fund Balance	\$6,918,356	\$6,227,381	\$6,164,319
Non-Spendable Fund Balance	None	None	None
Capital Assets (Net of Depreciation)	\$11,125,278	\$11,705,989	\$12,194,675
Unfunded Pension Liability	\$1,164,027	\$1,109,138	\$1,150,158
Unfunded OPEB Liability	None	None	None
Net Position	\$18,043,634	\$17,933,370	\$18,358,994
* FY 19/20 reflects the Federal Disaster Relief Grant revenues & expenditures.			

There are nine primary areas of criteria that have been utilized for this report to assess the present and future financial condition of the CSD's ability to provide efficient service operations as discussed below:

1. 3-Year Revenue/Expenditure Budget Trends

2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Net Position
6. Pension and OPEB Unfunded Liabilities
7. Capital Assets and Capital Improvement Plan
8. Fee Structure for Services Provided
9. Cost Avoidance Programs

3 Year Revenue/Expenditure Budget Trends

A trend analysis of revenues and expenditures provides a relatively quick snapshot of financial stability, and financial management of budgetary ebbs and flows over a short period of time. For DLCSD, and factoring out the Federal Disaster Relief Grant funding, the General Fund revenue trend has been generally static. However, the expenditure trend has increased at a rate that generated some operating deficits prior to Fiscal Year 2019/20.

The limitations on expanding the District revenues coupled with a general cost growth trend out pacing revenue growth, will over time create a potential for decreased services. DLCSD does have a relatively significant unassigned fund balance available, however, when viewed with the District's unfunded pension and Other Post-Employment Benefits (OPEB) liabilities and recognizing that a reasonable reserve for unanticipated major expenditures could arise, any sustained drawdown of that fund balance is considered limited.

Ratios of Revenue Sources

Diversity of revenues is an indicator of any public agency's ability to withstand a major loss in one revenue stream without a significant impact to operations and services. Ideally, an agency should have 3-4 revenue streams that are as equally balanced as possible, however, that isn't always possible in some agencies.

DLCSD generally receives approximately 91% of its overall revenues in the form of benefit assessment fees. Approximately 2% comes from franchise fees from the solid waste franchise agreement, with the remaining approximately 7% from permit fees, development mitigation fees, interest earnings and miscellaneous sources. This excludes one time funding for the Federal Disaster Relief Grant funding the District received.

Since the District's revenue stream is not diversified to any extent, alternative sources of revenue would be ideal for absorbing a significant decrease in the one revenue source that is heavily reliant on for service provision. However, alternative revenue sources are not readily available to the District to allow for further diversification. Additionally, benefit assessments, although a generally stable revenue source, require authorization through a vote of the District constituency for any increases. And as cost increases for service

provision continue upward, with no corresponding increase in benefit assessments, then long-term financial resiliency is at risk.

Overall, the revenue status of DLCSD can be considered sustainable for the near term. However, the District is working on alternatives to enhance current and potential alternative revenue sources.

Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. A ratio of 30% or greater of fund balance/reserve to annual expenditures is generally considered an adequate ratio to maintain. DLCSD's General Fund combined unassigned fund balance of \$6,918,356 for Fiscal Year 2019/2020 is approximately 161% of combined expenditures.

However, a significant portion of the FY 2019/20 expenditures were related to disaster recovery reconstruction of roadways and drainage that was offset by the Federal Disaster Relief Grant funding the District received. Therefore, when reviewing the FY 2017/18 and FY 2018/19 ratios of 234% and 208% respectively, and projecting forward past the FY 2019/20 anomaly, the District is in good position to support a short-term downturn in revenue, and maintain service levels. However, the ratios are reflecting a declining trend.

It should be noted that although these ratios are substantial, unfunded pension and OPEB liabilities, and the negative trend of revenue growth to expenditure growth coupled with a lack of diversity in revenue sources, will in time require utilization of a potentially significant portion of this fund balance to maintain services.

Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10% or less would reflect a very stable ratio. DLCSD has no bond or other secured debt, therefore no ratio to assess, which in turn a positive aspect to overall financial stability. The District does have unfunded pension and OPEB liability requirements which are discussed further on in this report.

Net Position

An agency's "Net Position" as reported in its audited financial statements represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other liabilities). A positive Net Position generally provides an indicator of financial soundness over the long-term. However, Net Position also includes the value of capital assets that may or may not be easily liquidated. Therefore, Net Position could potentially be skewed when viewing it in the aspect of liquidity.

The FY 2019/20 ending net position for the DLCSD was calculated by the auditors at \$18,043,634 with \$6,918,356 identified as unrestricted. As compared to annual revenues and expenditures, this is a significant amount of net position, indicating stability with its ongoing governmental activities for the foreseeable future.

It is noted that the annual net position over the past three fiscal years does fluctuate, however, between increases and decreases. As capital assets are subject to depreciation, reductions of those asset valuations reflect negatively on net position. However, increases in other assets such as net cash assets, or reduction in other long-term liabilities will offset some or all of those decreases. As DLCSD continues to strive with rising costs and stagnant revenues, unrestricted assets will require offset in liabilities unrelated to depreciation. Additionally, as virtually 83% of capital assets are public roadways that cannot be sold or borrowed against, the true net position of the District is in a sense skewed as more positive than it may be from a liquidity position if cash is needed in the future.

Pension and OPEB Unfunded Liabilities

Unfunded pension and OPEB liabilities present one of the most serious fiscal challenges facing many public agencies in California today. When reporting required under Government Accounting Standards Board (GASB) Statement #68 was implemented, many public agencies were awakened by the reality of the long-term unfunded liability aspect of their respective pension and OPEB obligations.

DLCSD employees' retirement pensions are covered under the California Public Employees Retirement System (CalPERS) pension system, in the Miscellaneous Plan category. According to the most recent audit report ending June 30, 2020, the CalPERS actuarial report for the measurement period ending June 30, 2019, lists the current Unfunded Pension Liability at \$1,164,027. This liability comprises approximately 17% of the District's unassigned fund balance, a fairly reasonable ratio, however, mitigation of current and potential liability increases should be considered by the District.

DLCSD was not contributing the Post-Employment Benefits for retirees in the past. However, on July 1, 2019, DLCSD implemented a contribution plan for covering future retirees and spouses medical, dental and vision insurance coverage. As such, there is no current OPEB Unfunded Liability as of June 30, 2020 based on the measurement period ending June 30, 2019. However, OPEB Unfunded Liabilities could arise in the future.

Capital Assets and Capital Improvement Program

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technological changes. Depreciation typically spreads the life of a facility over time to calculate a depreciation amount for accounting purposes. The actual timing and amount of annual capital investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable

capital expenditures. DLCSD's capital assets include roadways, furniture and equipment, all of which are subject to depreciation. As of June 30, 2020 the District had \$26,498,095 in capital assets and \$15,162,714 in accumulated depreciation, resulting in \$11,125,278 net capital assets, with approximately 83% percent being roadway infrastructure. The remainder being roadway appurtenant items, equipment and furniture.

DLCSD does not maintain a long-range Capital Improvement Plan for road infrastructure improvements or upgrades. However, the District does rely on their Pavement Maintenance Program and budgets priority infrastructure maintenance and improvement projects based on annual availability of revenue resources. It should be noted that DLCSD did receive substantial disaster relief grant funding from FEMA for restoration and repairs of damaged road infrastructure sustained during the winter storms in 2019.

Fee Structure for Services Provided

Most public agencies charge fees for various services provided. DLCSD collects virtually all of the District fee revenue through Benefit Assessment Fees assessed to each parcel within the District and included on the annual property tax statements for collection and allocation by the County Treasurer-Tax Collector. Other fees are charged for permit issuance and inspection services primarily for encroachment permits and inspections for performing work within the public right of way on roads maintained by the District.

Two Benefit Assessment accounting funds are utilized by the District for assessing parcels:

One Benefit Assessment fund is dedicated to the Supplemental Law Enforcement Service. The current assessment is \$16.33 per acre per year and is assessed on all properties in the District.

The other Benefit Assessment fund covers the road maintenance services. The District is divided into 5 zones for assessment purposes for road maintenance. An overall assessment for maintaining the "primary" roads and general administrative costs is charged at a rate of \$26.80 per acre per year for all properties within the District. The "zone" assessments cover the secondary roads and are charged equally to all properties within a particular zone. Those assessment rates range from \$45.47-\$91.62 per acre per year dependent on the zone. Additionally, there is a "special paving" assessment charged on some individual parcels as directed by the Board of Directors with an assessment rate of \$1.20-\$4.00 per acre per year.

As noted previously, Benefit Assessment increases exceeding any maximum inflation escalation rate originally adopted must be placed before the registered voters within that benefit zone for enactment. A two-thirds approval is required for passage for those benefit assessments for a specific purpose such as the Sheriff deputy service and road maintenance.

Permit fees are fixed fees ranging from \$100-\$300, some refundable deposits ranging from \$400-\$2,000, and linear footage fees of \$0.14 per foot dependent on the type of

permit requested. Additionally, the District has established a set of Development Impact Mitigation Fees for major residential development. Established in 2008, these fees range from \$1,839.61-\$3,975.08 per dwelling unit depending on zone location.

Cost Avoidance Programs

DLCSD implements cost avoidance measures wherever possible as a necessary action due to the revenue limitations to maintain services at current levels. The District operates with limited staff and significant roadway maintenance projects are contracted to the private sector under state public works contracting laws, thus limiting the amount of District staff that would be necessary to perform those functions. District maintenance staff support small projects such as pothole and other roadway repairs and maintenance. The operations of the District are well managed for the services performed.

DISADVANTAGED UNINCORPORATED COMMUNITIES

LAFCO has determined that there are no DUCs contiguous to DLCSD, so no additional analysis is required for DLCSD in this report.

STATUS OF ISSUES IDENTIFIED IN MOST RECENT MSR

The last MSR for DLCSD was in 2006 when it was still known as the Santa Rosa CSD. The 2006 MSR identified similar issues related to revenues not keeping pace with cost increases for road maintenance and law enforcement services.

GOVERNMENT STRUCTURE ALTERNATIVES

There are only two government structure alternatives that would be applicable to DLCSD at this time:

Maintain the status quo.

DLCSD's government structure currently in place is sufficient to provide the appropriate governance structure for the District. The District maintains a small staff, is efficient in delivery of services and appears to be diligent in not overextending. Therefore, the District's current structure should be maintained at this time.

Consolidate service with the Cities of Murrieta or Temecula.

Consolidation with either city, Temecula being the primary alternative, would essentially require dissolution of DLCSD. Although this option is not necessarily preferred at this time, it should be a consideration for the future given the issue of funding deficiencies for road maintenance. All three authorized services could be easily absorbed into either city, and additional revenues not currently available to the District, such as fuel tax revenues could become available.

RECOMMENDED MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the information, issues, and analysis presented in this report, proposed MSR determinations pursuant to Government Code section 56430 are presented below for the LAFCO Commission's consideration:

1) *Growth and Population Projections*

- DLCSD currently services a population of approximately 2,300 over a geographical area of approximately 31 square miles. Significant potential for growth exists due to vacant land, however, growth has only been occurring at a slow pace as compared to other areas in the adjacent cities.
- The District is primarily agricultural in nature, with most of the land utilization being agriculture. No significant increase in construction for housing or commercial development nor any substantial population growth is anticipated in the foreseeable future.

2) *Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the CSD's SOL.*

- There are no Disadvantaged Unincorporated Communities within or contiguous to DLCSD's SOL.

3) *Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies Related to Disadvantaged Unincorporated Communities*

- DLCSD's current facilities and most infrastructure are adequate to support current services and absorb limited future growth.
- Present capacity of the District's services is constrained by funding constraints as revenues are not keeping pace with the rising costs of the services performed. Additional revenue sources, or a successful ballot measure to raise benefit assessments will be necessary to close the gap.
- There are no deficiencies related to DUCs as there are no contiguous DUCs.

4) *Financial Ability of the CSD to Provide Services*

- Currently, DLCSD has the financial ability to provide the current level of services provided. However, due to stagnant revenues and annual increases in costs for providing services, the District has had to cut services in the past and struggles to maintain existing services even at the reduced level.
- The District operates as efficiently as possible with limited staff and utilization of contract services to minimize administrative overhead costs.

- Lacking the ability to obtain alternative revenue sources, and with the restrictions on raising assessments unless a two-thirds approval of registered voters is obtained, long term financial solvency is a concern.
- DLCSD has recently sponsored potential legislation that is intended to allocate a portion of the statewide fuel taxes to the District that they currently are not receiving since they are an independent special district. An allocation of fuel taxes for road maintenance purposes would greatly enhance the District's long term financial solvency.

5) *Status of, Opportunities for Shared Facilities*

- There is no foreseeable opportunity for shared facilities as the District only maintains an office building with no other structures. Primary infrastructure is limited to roadways.

6) *Accountability for Community Service Needs, Including Governmental Structure, and Operational Efficiencies.*

- DLCSD is governed by a five-member Board of Directors, elected at large. Staffing is limited to approximately six personnel.
- Service needs are being met to the best extent possible given the aforementioned revenue/cost issues. Operational efficiencies are optimized well given the annual funding limitations.
- The District primarily conducts outreach via its website, newsletters and social media which makes available comprehensive information and documents to the public, and solicits feedback and input from constituents.
- No direct contact information is listed for Board members, and no staff reports are provided with the agendas that are posted on the District website. These items should be included for additional transparency to the public.
- No alternative government structure options are considered superior to the current structure at this time, however future consolidation into either the City of Temecula, or the City of Murrieta, may be a consideration long term given the revenue/cost issues identified.

7) *Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.*

- No additional matters have been identified.

RECOMMENDED SPHERE OF INFLUENCE DETERMINATIONS

Existing Sphere of Influence

DLCSD's existing sphere of influence is coterminous with its boundaries.

Sphere of Influence Analysis

One of LAFCO's objectives is to eliminate illogical boundaries and associated service inefficiencies, where these issues exist. Based on the geographic and jurisdictional boundary constraints, there is only one area of potential expansion of DLCSD's SOI that has been identified, the Walker Basin area. Given its location, which is essentially an "island" within the District and is not adjacent to any city boundary or SOI, the area is a logical candidate for inclusion in the District's SOI.

Sphere of Influence Options

Two options are identified with respect to DLCSD's SOI.

Option #1: Maintain the current coterminous SOI.

Should the LAFCO Commission wish to continue to reflect the intention to maintain DLCSD's existing boundary, then a coterminous SOI would be appropriate.

Option #2: Expanded SOI.

There is an area that is significantly surrounded by DLCSD's jurisdictional boundaries, close to the center of the District (Walker Basin), with a sliver stretching from there to another small area adjacent to the borders of the Cities of Temecula. The Walker Basin area was not included in the District boundaries during the District formation due to landowner protest, nor considered during the 2006 SOI update. The LAFCO Commission may wish to consider including this area into the District's SOI at this time.

Sphere of Influence Determinations

Following are the five recommended determinations for the LAFCO Commission's consideration as required by Government Code section 56425(e):

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

- DLCSD is not authorized land use planning authority. The County of Riverside is responsible for land use planning.
- Current land use and zoning is substantially rural with significant agricultural uses.

- It is likely future land use decisions will mostly reflect maintaining the rural and agricultural nature of the area.

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

- Current facilities and services are adequate to support the area, including support of limited future growth in the area.
- Long term, there may be a need for expansion of some limited road infrastructure.
- Expansion of services will require sufficient revenues to support the cost of any service expansion.

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

- Sufficient capacity of facilities exists to support providing adequate public services authorized and being provided.
- Long term services may be impacted due to revenue restrictions and continued cost increases for the services provided.

4) *The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.*

- There are no specific communities of interest within the DLCSD jurisdictional boundaries that require special attention nor have any service issues that the District would have responsibility over been identified.

5) *For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.*

- There are no Disadvantaged Unincorporate Communities within or adjacent to the existing SOI, nor does the District provide any of those services identified.

Chapter 2- Edgemont CSD

OVERVIEW / BACKGROUND

The Edgemont Community Services District (ECSD or District) was formed in 1957 in accordance with the California Community Services District Act (Government Code section 61000 et seq). The District is located within a portion of the City of Riverside and a portion of the City of Moreno Valley, primarily south of the I-60 Freeway and bisected by the I-215 Freeway. ECSD encompasses approximately 1,504 acres (2.34 square miles). The area is primarily suburban and commercial serving an estimated population of approximately 8,670, with most of the District being developed.

ECSD services currently authorized to be provided are street lighting and wastewater collection. ECSD's authorized services were approved by LAFCO on January 25, 2007 per the requirements of SB 135, chaptered into law in 2005. ECSD does not anticipate expanding services additional to the current services provided. Available latent powers that the District is authorized under Community Service District statutes that the District may desire to provide would require a public hearing and formal authorization from the LAFCO Commission.

ECSD does not provide any services outside of its service boundary. ECSD's sphere of influence is coterminous with its current service boundary.

This MSR/SOI Update is only focused on the streetlighting services since the wastewater services were reviewed as part of the Countywide Water/Wastewater MSR in 2019.

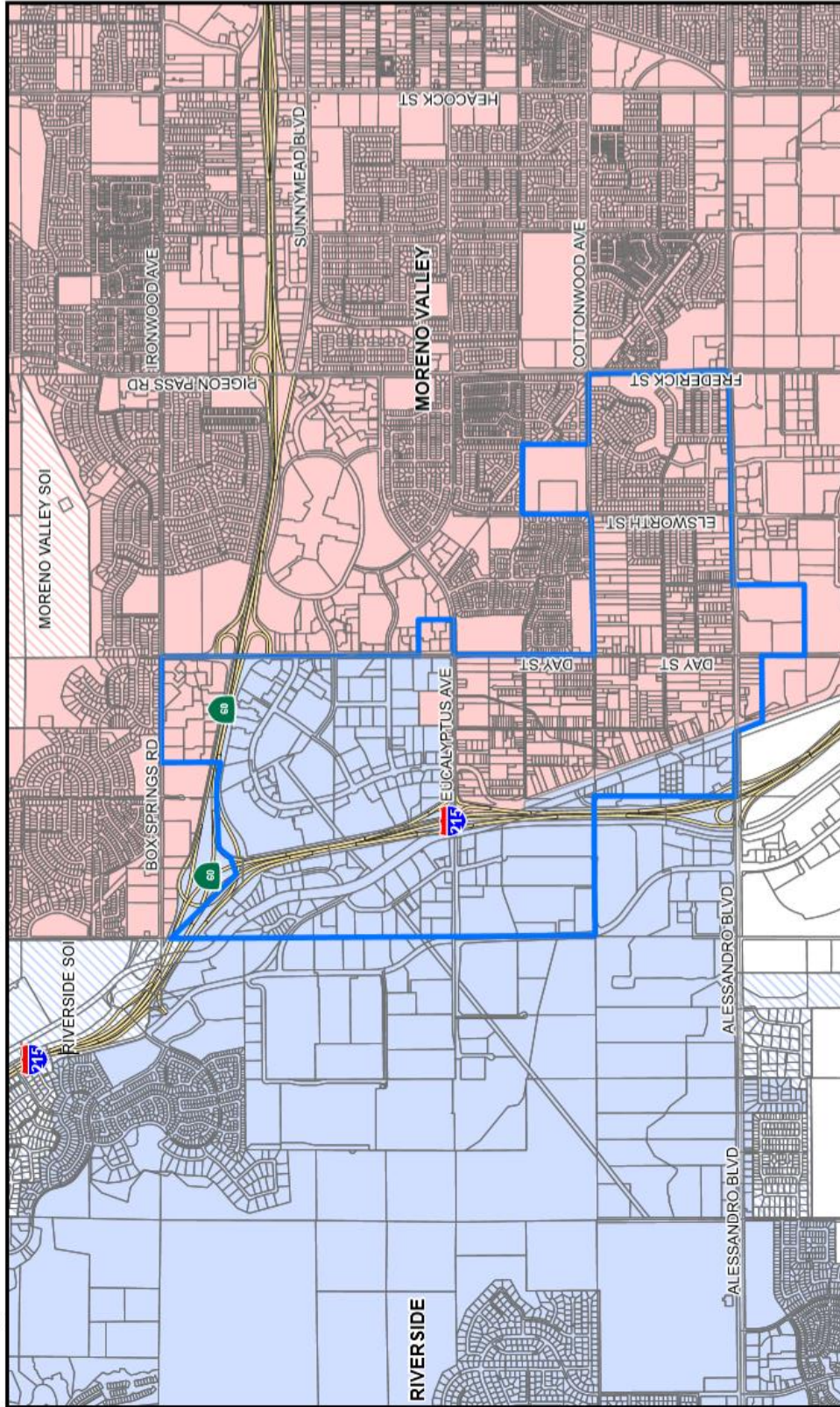
Table 2-1 on Page 30 provides a snapshot profile of ECSD. A map of the District's current boundary and SOI is shown in **Figure 2-1** on Page 31.

Table 2-1- Profile- Edgemont CSD

General Information			
Agency Type	Municipal - Community Services District		
Principal Act	Section 61000 et. Seq. of the California Government Code		
Date Formed	1957		
Services Provided	Streetlighting and Wastewater Collection		
Location	Located within a portion of Riverside and Moreno Valley. Mailing- P.O. Box 5436, Riverside, CA 92517 (951) 784-2632		
Sq. Miles/Acres	1,504 Acres (2.34 sq. miles)		
Contact	Jessica Pfalmer, General Manager jessica@edgemontcsd.org		
Website	https://edgemontcsd.specialdistrict.org/		
Population Served	Approximately 8,670		
Last SOI Update	2006- Streetlights, 2020- Wastewater		
Governance/Staffing			
Governing Body	5-member Board of Directors, elected at-large		
Terms	4-year staggered terms		
Meeting Information	4 th Thursday of the Month at 7:00 pm at the District meeting facility- 21640 Cottonwood Ave, Moreno Valley, CA 92553		
Total Staff	1 employee		
Staff Categories	General Manager		
Facilities/Other Infrastructure			
Facilities	District meeting facility		
Other Infrastructure	250 Streetlights (SCE), 17 miles of sewer collection pipelines		
Financial Information- FY 19/20 Actuals (Excludes Wastewater Enterprise Fund)			
	Revenues	Expenditures	Net Surplus/(Deficit)
General Fund	\$1,547,078	\$1,009,539	\$537,539
Illumination (Restricted) Fund	\$81,411	\$65,791	\$15,620
Combined Funds	\$1,628,489	\$1,075,330	\$553,159
	FY 19/20	Long Term Planned Expenditures	
Capital Expenditures	\$30,310	None. (Excludes Wastewater Enterprise Fund)	
General Fund Balance	\$1,254,456	June 30, 2020 Financial Statement	
Illumination Fund Balance	\$27,358	June 30, 2020 Financial Statement	
Unrestricted Net Assets	\$1,281,814	June 30, 2020 Financial Statement	
Capital Assets	\$455,057	June 30, 2020 Financial Statement	
Net Position (Combined)	\$1,736,871	June 30, 2020 Financial Statement	
Debt & Unfunded Pension/OPEB Liabilities- Year Ending June 30, 2020			
Long Term Debt	ECSD has no long-term bond or secured debt		
Unfunded Pension Liability	ECSD has no unfunded pension liability		
Unfunded OPEB Liability	ECSD has no unfunded OPEB liability		
Notes			
1) The wastewater portion of the MSR was reviewed in the 2019 Countywide Water/Wastewater MSR.			

Figure 2-1- Boundary/SOI Map – Edgemont CSD

Edgemont Community Service District and Sphere of Influence



<p>Legend</p> <p> Edgemont Community Service District Boundary **</p> <p> Parcels</p>	<p>Data Sources: County of Riverside; District</p> <p>0.55 0.275 0 0.55 Miles</p> <p>Disclaimer: The information shown is intended to be used for reference and general display purposes only and is not to be used as an official map.</p>
<p>Commission Reviewed & Confirmed SOI: April 23, 2020</p> <p>** SOI is coterminous with District Boundary</p> <p>Author: Crystal M. Craig</p> <p>Map Created on 6/22/20</p>	<p>Sewer provided by District</p>

GROWTH AND POPULATION PROJECTIONS

ECSD currently provides street lighting and sewage collection services for approximately 8,670 residents. The District's service area is generally built out, and no significant increase in population is anticipated in the foreseeable future, although limited growth is occurring in the District. The District reports that some vacant parcels exist in the southwest portion of the District, and it is anticipated that these parcels will be developed at some point in time as possible apartments, warehouse facilities, or other commercial uses.

ACCOUNTABILITY AND GOVERNANCE

ECSD is governed by a five-member Board of Directors, elected at large to four-year staggered terms. The ECSD Board meets at 7:00 p.m. on the fourth Thursday of each month at the District meeting facility located at 21640 Cottonwood Avenue, Moreno Valley.

<u>ECSD Board of Directors</u>	<u>Term Expires</u>
Michael Addie	2022
Cheryl Franklin	2024
Brenda Addie	2022
Crystal Smith	2024
Moses Taylor Jr.	2022

The District has a basic website which lists meeting dates, Board agendas, minutes and contact information for the General Manager, however, no direct contact information is listed for Board members. Agendas and meeting minutes are available on the website, however, no agenda staff reports are posted.

There is no budget information accessible from the District's website, although recent audit reports are posted. There are links to the State Controllers website for historical budgetary information and compensation information. At a minimum, annual budgets and current compensation information are needed to promote transparency and accountability as well as allowing public oversight of District activities. Additionally, staff reports and supporting documentation should be posted with the meeting agendas. The District should consider adding these features to its website.

The District website does have a Frequently Asked Questions feature for reporting sewer and streetlight issues, and complaints can be received by email, letter or telephone. The General Manager is responsible to handle all customer complaints. The District reports that they had received no complaints in 2019 or 2020. The District reports that all Form 700 financial disclosures are submitted on time and are current, and the Board and General Manager take advantage of training opportunities provided through the California Special Districts Association through their various training portals

SERVICES – FACILITIES- INFRASTRUCTURE

Service Overview

ECSD currently provides street lighting and wastewater collection services over its service area. Street lighting services consist of collecting assessments and paying electrical charges for the lighting only. The streetlights are owned and maintained by Southern California Edison (SCE) through the standard agreement SCE maintains with many public agencies.

Wastewater collection services are provided through the District's wastewater piping systems, with treatment and disposal performed through a contract with the City of Riverside. The District does not contract with any other entities for services other than legal counsel, engineering when needed, and the annual audit, nor does the District provide any contract services to other agencies. The District does allow a portion of the District meeting facility to be used by charitable organizations for area meetings.

The General Manager is responsible to report and follow up on all streetlight outages in the District, and the contract engineer monitors potential development that will involve wastewater or streetlighting services. The General Manager reports that the District has been investigating ways to reduce the costs of streetlight installations and electrical charges.

Facilities/Infrastructure

ECSD manages approximately 250 streetlights in 17 assessment zones and two individual parcels throughout the District subject to lighting assessments collected by the District for payment of electrical charges. The streetlights are owned and maintained by SCE. ECSD owns and maintains approximately 17 miles of wastewater pipelines within the District. ECSD also owns the District meeting facility located on Cottonwood Ave in Moreno Valley, and property that is leased to a development company.

Service Adequacy

ECSD is providing services at an adequate level, as noted by lack of customer complaints, and no significant issues recently related to infrastructure. This is indicative of the limited nature of the District's authorized services, and the management processes and oversight of the District's operations and reporting to the District Board of Directors.

Facilities/Infrastructure Needs

ECSD reports that current facilities and infrastructure are adequate to support current services and absorb future growth. The District reports no capacity issues for current infrastructure and foreseeable future development. There most likely will be some requirements for additional streetlighting and wastewater infrastructure depending on the level and type of future development. There are no known requirements for any other infrastructure such as new buildings foreseen. The General Manager has noted that the

District has been investigating ways to reduce the costs of installation of streetlights for development and reduce electrical charges.

Cooperative Programs

ECSD does not participate in cooperative programs other than those contractual relationships with the City of Riverside and SCE. ECSD is not a member of any Joint Powers Authority, nor does the District participate in any regional planning programs. ECSD is a member of the California Special Districts Association.

FINANCIAL OVERVIEW

ECSD utilizes two funds for operations (excluding the Wastewater Enterprise Fund), the General Fund and the Illumination Fund. Property taxes comprise the most significant source of revenues for the General Fund, followed by Rental Income. Property assessments comprise the major revenue source for the Illumination Fund. Transfers from the General Fund to both the Illumination Fund and the Wastewater Enterprise Fund is performed on an annual basis to cover operational deficits in each Fund when necessary.

Overall, all Funds are stable given the transfers from the General Fund, and each Fund retains a very stable and solid unrestricted fund balance, providing good capability to absorb short term impacts. ECSD has no debt, no other long-term liabilities, and no unfunded pension or unfunded OPEB liabilities. The District conducts an independent audit annually, the last three years reflecting an “unmodified” opinion, and the District provides all required reporting to the State Controller’s Office as required by statutes.

Table 2-2 following, provides a snapshot of key financial data from the last three fiscal years. An analysis of the data related to several key financial status and financial health indicators follows.

NOTE That the financial information posted does not include the Wastewater (Sewer) Enterprise Fund as it was already analyzed in the previous Countywide Water/Wastewater MSR/SOI update in 2019/2020.

Table 2-2- Financial Information- ECSD (Source- Audited Financial Statements)

Financial Information (Actuals)- Excludes Wastewater Enterprise Fund			
	FY 19/20	FY 18/19	FY 17/18
General Fund Revenues/Transfers**	\$1,547,078	\$1,488,414	\$1,431,072
General Fund Expenditures/Transfers**	\$1,009,539	\$1,862,155	\$1,052,496
General Fund Surplus/(Deficit)	\$537,539	(\$373,741)	(\$378,576)
Illumination Fund Revenues/Transfers**	\$81,411	\$77,642	\$51,248
Illumination Fund Expenditures/Transfers**	\$65,791	\$77,808	\$72,065
Illumination Fund Surplus/(Deficit)	\$15,620	(\$166)	(\$20,817)
Capital Expenditures (General Fund)	\$30,310	\$6,543	None
Debt Service Expenditures	None	None	None
Long Term Liabilities	None	None	None
Unassigned Fund Balance (Combined)	\$1,272,389	\$716, 524	\$1,099,190
Non-Spendable Fund Balance (Combined)	\$9,425	\$12,131	\$3,372
Capital Assets (Net of Depreciation)	\$455,057	\$441,703	\$451,379
Unfunded Pension Liability	None	None	None
Unfunded OPEB Liability	None	None	None
Net Position (Combined)	\$1,736,871	\$1,170,358	\$1,553,941
** Transfers to/from Illumination Fund & Wastewater Fund Combined			

There are nine primary areas of criteria that LAFCO utilizes for assessing the present and future financial condition of any Special District's ability to provide efficient service operations as discussed below:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Net Position
6. Pension and OPEB Unfunded Liabilities
7. Capital Assets and Capital Improvement Plan
8. Fee Structure for Services Provided
9. Cost Avoidance Programs

3 Year Revenue/Expenditure Budget Trends

A trend analysis of revenues and expenditures provides a relatively quick snapshot of financial stability, and financial management of budgetary ebbs and flows over a short period of time. For ECSD, the General Fund revenue trend has been positive, however, the expenditure trend has experienced operating deficits prior to Fiscal Year 2019/20. The Illumination Fund has experienced similar trends overall during the same time period. However, the positive revenue trend is attributed primarily to transfers between funds (in particular the Wastewater Enterprise Fund) which has helped establish significant and

stable fund balances for each fund. Overall, the trend reflects revenues generally exceeding overall expenditures, a positive reflection of future financial stability.

Ratios of Revenue Sources

Diversity of revenues is an indicator of any public agency's ability to withstand a major loss in one revenue stream without a significant impact to operations and services. Ideally, an agency should have 3-4 revenue streams that are as equally balanced as possible, however, that isn't always possible in some agencies.

ECSD receives approximately 57% of its General Fund and Illumination Fund revenues in the form of property taxes. Approximately 41% for the General Fund is from rental income for leasing District owned land to a development company that has constructed buildings which they in turn lease out. The remainder is from interest earnings for the General Fund, and assessments and interest earnings revenue for the Illumination Fund.

Although the District's revenue stream is somewhat diversified for these two funds, alternative sources would be ideal for absorbing a significant decrease in one revenue stream. However, alternative revenue sources are not readily available to the District to allow for further diversification.

Property taxes for the most part remain a generally stable revenue source, and historically, although property taxes can fluctuate downward in a depressed economy, property tax revenue generally trends upward in the long term. Thus, it can be concluded that property tax revenues will most likely remain stable. Rental revenues could be more fluid based on economic conditions therefore maintaining a substantial fund balance, as is the case with ECSD, can overcome a short-term declination of this revenue source. Overall, the revenue status of ECSD can be considered sustainable over the foreseeable future.

Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. A ratio of 30% or greater of fund balance/reserve to annual expenditures is generally considered an adequate ratio to maintain. ECSD's General Fund and Illumination Fund combined unassigned fund balance of \$1,272,389 for Fiscal Year 2019/2020 is approximately 118% of combined expenditures. This is a very significant ratio which ensures that the District can easily support a short-term downturn in revenue and maintain service levels.

Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures.

Ideally, a ratio of 10% or less would reflect a very stable ratio. The District has no debt, therefore no ratio to assess, which in turn is a positive aspect to overall financial stability.

Net Position

An agency's "Net Position" as reported in its audited financial statements represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other liabilities). A positive Net Position generally provides an indicator of financial soundness over the long-term. However, Net Position also includes the value of capital assets that may or may not be easily liquidated. Therefore, Net Position could potentially be skewed when viewing it in the aspect of liquidity.

The FY 19/20 ending net position for the District was \$1,736,871 for the combined General Fund and Illumination Fund. As compared to annual revenues and expenditures, this is a significant amount of net position, indicating stability with its ongoing governmental activities. It is noted that the annual net position over the three fiscal years noted does fluctuate, however, in none of those years is the net position considered less than significant which would trigger a concern.

Pension and OPEB Unfunded Liabilities

Unfunded pension and OPEB liabilities present one of the most serious fiscal challenges facing many public agencies in California today. When reporting required under GASB Statement #68 was implemented, many public agencies were awakened by the reality of the long-term unfunded liability aspect of their respective pension and OPEB obligations.

ECSD does not have any pension nor OPEB unfunded liability as of June 30, 2020 as per the most recent audit report ending June 30, 2020. This is very good for the District and given the fact that only one employee serves the District, any potential for future unfunded liabilities most likely will be minimal.

Capital Assets and Capital Improvement Program

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technological changes. Depreciation typically spreads the useful life of a capital asset over time to calculate an annual asset valuation for accounting purposes. The actual timing and amount of annual capital investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable capital expenditures.

The District's capital assets (excluding the Wastewater Enterprise Fund) include land (which is non-depreciable) and buildings and improvements, as well as furniture and equipment (which all depreciate).

Fee Structure for Services Provided

Most public agencies charge fees for various services that provide a direct benefit to the recipient of the specific service. ECSD current rate structure for streetlight electricity services reflects annual special assessment rates that range from \$21.61 to \$154.12 per parcel dependent on which zone the parcel is in, with several individual parcels that range from \$154.12 to \$769.60, and one zone that is assessed at \$0.56 per lineal foot of street frontage. Other fees charged are rental/lease fees for land owned by the District and leased to a development company that has constructed buildings that they lease out.

Cost Avoidance Programs

Due to the nature of the limited services provided by the General Fund and the Illumination Fund, there is very little ability for the District to implement cost avoidance programs on any significant level. The District's financial status is sound, and the operations of the District are well managed for the services performed.

DISADVANTAGED UNINCORPORATED COMMUNITIES

LAFCO has determined that there are no DUCs contiguous to ECSD, so no additional analysis is required for ECSD in this report.

STATUS OF ISSUES IDENTIFIED IN MOST RECENT MSR

ECSD was included in the 2019 MSR for Countywide Water/Wastewater services. ECSD provides wastewater services in addition to its other services. No MSR for ECSD for other services has been performed. There were no service or financial issues identified in the previous MSR in 2019, with the exception of website improvements for transparency that are included herein and discussed previous.

GOVERNMENT STRUCTURE ALTERNATIVES

There are only two government structure alternatives that would be applicable to ECSD at this time:

Maintain the status quo.

ECSD's government structure currently in place is more than sufficient to provide the appropriate governance structure for the District. The District maintains a small staff, is efficient in delivery of services and appears to be diligent in not overextending. Therefore, the District's current structure should be maintained.

Consolidate service with the Cities of Moreno Valley and/or Riverside.

Either scenario of consolidation with either city, or jointly, would essentially require dissolution of ECSD. Based on the logistics involved in transferring these services to either city or jointly, and the likelihood that the potential cost savings not recovered by

charges for services already, would be minimal, these scenarios are considered less than desirable. Therefore, this option should be ruled out.

RECOMMENDED MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the information, issues, and analysis presented in this report, proposed MSR determinations pursuant to Government Code section 56430 are presented below for the LAFCO Commission's consideration:

1) *Growth and Population Projections.*

- ECSD's service area is generally built out, with some limited development occurring. However, no significant increase in population is anticipated in the foreseeable future.

2) *Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the CSD's SOL.*

- There are no Disadvantaged Unincorporated Communities within or contiguous to ECSD's current SOL.

3) *Present and Planned Capacity of Public Facilities and Adequacy of Public Services Including Infrastructure Needs and Deficiencies Related to Disadvantaged Unincorporated Communities.*

- ECSD's current facilities and infrastructure are adequate to support current services and absorb future growth. There are no capacity issues for current services and infrastructure, and for the foreseeable future development .
- There most likely will be some requirements for additional streetlighting and wastewater infrastructure depending on the level and type of future development.
- There are no deficiencies related to DUCs as there are no contiguous DUCs.

4) *Financial Ability of the CSD to Provide Services.*

- ECSD has the financial ability to provide services. The District generally operates with an operational surplus, has significant fund balance available to meet infrastructure and other contingency needs, and has no long-term debt nor unfunded pension and OPEB liabilities.
- Given the stability of the District's existing revenue sources, and the District's conservative budgeting practices, it appears that ECSD has a low risk for financial distress.

5) *Status of, Opportunities for Shared Facilities.*

- ECSD allows a portion of the District meeting facility to be utilized by charitable organizations for area presentations and meetings.
- ECSD does not anticipate any future opportunities for shared facilities as existing facilities are positioned to meet future needs.

6) *Accountability for Community Service Needs, Including Governmental Structure, and Operational Efficiencies.*

- ECSD is governed by a five-member Board of Directors, elected at large. Staffing is limited to the General Manager and a contract engineer and contract legal counsel as needed. The Board of Directors meets once per month.
- Service needs are being met, and no customer complaints have been received over the last two years. Operational efficiencies are optimized well given that the District delivers limited services.
- No direct contact information is listed for Board members are provided on the District website. In addition, there is no current budget information accessible from the website, although past budget information is available on the State Controller website which is linked on the district website. The website should include this information for additional transparency to the public.
- No alternative government structure options are considered superior than the current structure at this time.

7) *Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.*

- No additional matters have been identified.

RECOMMENDED SPHERE OF INFLUENCE DETERMINATIONS

Existing Sphere of Influence

ECSD's existing SOI is coterminous with its current jurisdictional boundaries.

Sphere of Influence Analysis

One of LAFCO's objectives is to eliminate illogical boundaries and associated service inefficiencies, where these issues exist. Based on the geographic and jurisdictional boundary constraints which virtually prevents any expansion of the District's current boundaries, an SOI expansion is not warranted. There is a very small boundary with unincorporated area at the southwesterly section of the District, however, if that area is

developed, it is highly likely that it will be annexed into one of the adjacent cities and be directly serviced by the annexing city.

In 2020, the LAFCO Commission re-affirmed the District's conterminous SOI as part of the Water/Wastewater MSR process. In 2006, the LAFCO Commission did consider a "zero" SOI which would essentially dissolve the District, however, dissolution would be at a future time. That scenario was ultimately dropped for mostly the same reasons as identified in this review, and the SOI was re-affirmed as coterminous. A zero SOI remains not recommended as an option at this time.

Sphere of Influence Option

Only one option is now identified with respect to ECSD's SOI.

Option #1: Maintain the current coterminous SOI.

Should the LAFCO Commission desire to continue to reflect the intention to maintain ECSD's existing boundary, then a coterminous SOI would be appropriate.

Sphere of Influence Determinations

Following are the five recommended determinations for the LAFCO Commission's consideration as required by Government Code section 56425(e):

- 1) ***The present and planned land uses in the area, including agricultural and open-space lands.***
 - ECSD is not authorized land use planning authority. The Cities of Moreno Valley and Riverside are responsible for land use planning.
 - Current land use planning and zoning by the two cities take into consideration the relevant aspects of managed development.
- 2) ***The present and probable need for public facilities and services in the area.***
 - Current facilities and services are adequate to support the area, including future growth in the area at the present rate.
 - Long term, there may be a need for expansion of some limited infrastructure.
- 3) ***The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.***
 - Sufficient capacity of facilities exists to support providing adequate public services authorized and being provided.

4) *The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.*

- There are no specific communities of interest within the ECSD jurisdictional boundaries that require special attention nor have any identified service issues.

5) *For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.*

- There are no Disadvantaged Unincorporated Communities within or adjacent to the existing SOI.

Chapter 3- Jurupa CSD

OVERVIEW / BACKGROUND

The Jurupa Community Services District (JCSD or District) was formed in 1956 in accordance with the Community Services District Act (Government Code section 61000 et seq.). to provide wastewater services to the Jurupa Valley area of western Riverside County. Since 1956, JCSD has increased its service area from 26 square miles to 40.8 square miles. The District serves a population of approximately 133,361 residents and a significant number of commercial/industrial facilities located within its service area. The District's service area encompasses a significant portion of the City of Jurupa Valley and the entire City of Eastvale.

JCSD is currently authorized to provide water, wastewater, recreation and parks, landscape maintenance, graffiti abatement and street lighting services. JCSD's authorized services were approved by LAFCO on January 25, 2007 per the requirements of SB 135, chaptered into law in 2005. JCSD does not anticipate expanding services additional to the current services provided. Available latent powers that the District is authorized under Community Service District statutes that the District may desire to provide would require a public hearing and formal authorization from the LAFCO Commission.

JCSD does not provide services outside the District's jurisdictional boundaries.

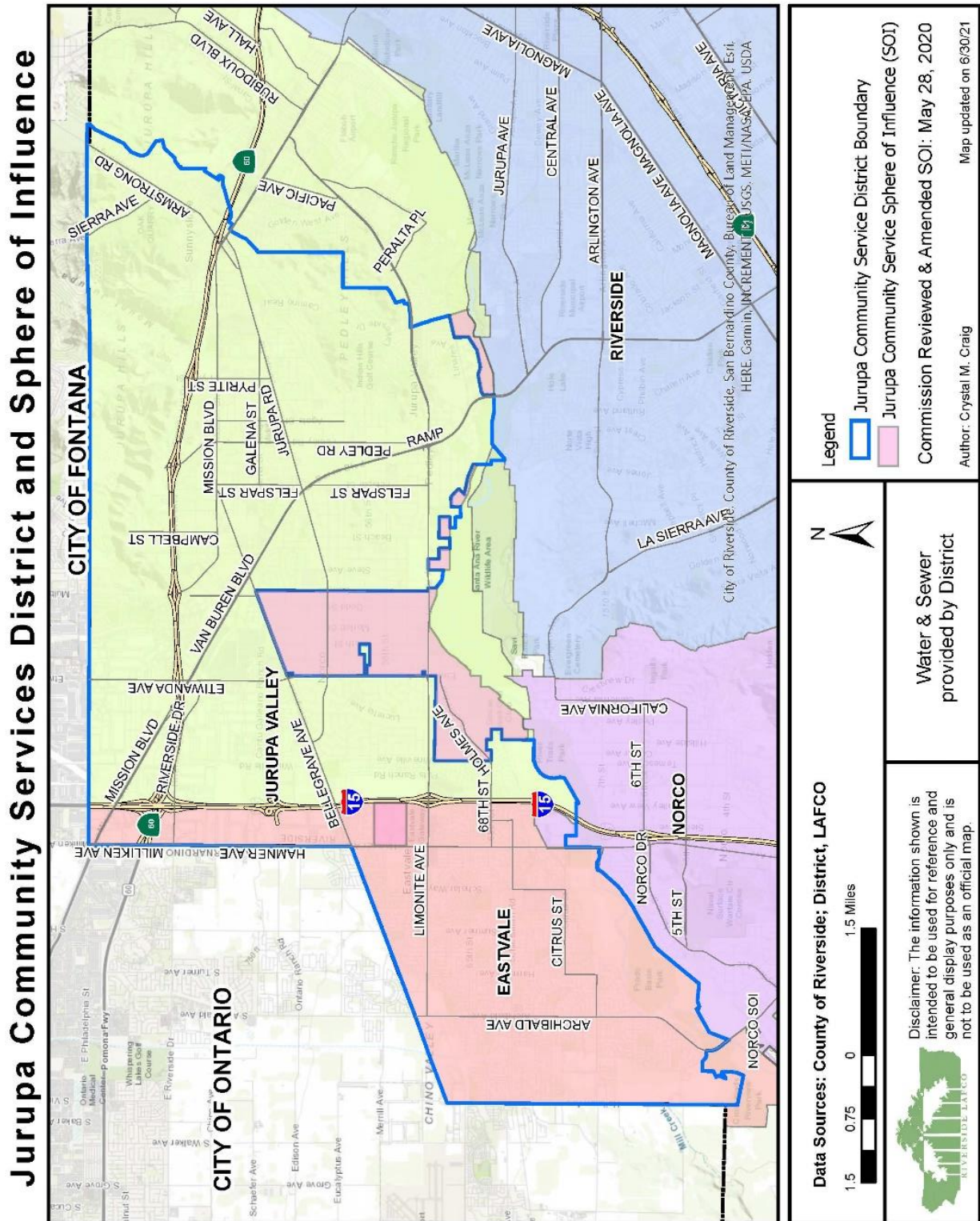
This MSR/SOI Update is only focused on the recreation and park services, streetlighting services, landscape maintenance services, and graffiti abatement services since the water/wastewater services were reviewed as part of the Countywide Water/Wastewater MSR in 2019.

Table 3-1 on Page 44 provides a snapshot profile of JCSD. A map of the District's current boundary and SOI is shown in **Figure 3-1** on Page 45.

Table 3-1 Profile – Jurupa CSD

General Information			
Agency Type	Municipal - Community Services District		
Principal Act	Section 61000 et. Seq. of the California Government Code		
Date Formed	1956		
Services Provided	Recreation & Parks, Street Landscaping & Lighting, Graffiti Abatement, and Water/Wastewater		
Location	City of Eastvale and most of the City of Jurupa Valley. District Office: 11201 Harrel Street, Jurupa Valley, CA 91752 (951) 685-7434		
Sq. Miles/Acres	40.8 Sq. Miles		
Contact	Chris Berch, General Manager, cberch@jcsd.us		
Website	www.jcsd.us		
Population Served	Approximately 133,361		
Last SOI Update	2005- All services, 2020- water/wastewater		
Governance/Staffing			
Governing Body	5-member Board of Directors, one for each proportionate Division		
Terms	4-year staggered terms		
Meeting Information	2 nd and 4 th Mondays of the Month at 6:00 pm at the District Office- 11201 Harrel Street, Jurupa Valley, CA 91752		
Total Staff	159 employees		
Staff Categories	General Manager, Department Heads, Division Managers, Superintendents, Supervisors, Admin, Human Resources, Finance, Engineering, Water/Wastewater, Parks, Customer Service, IT, Community Affairs		
Facilities/Other Infrastructure			
Facilities	District Office, Eastvale Community Center, Harada Heritage Park Neighborhood Center, Desi House, Kids Zone Modular Buildings (8)		
Other Infrastructure	Approximately 2,000 streetlights, 15 parks, approx. 4,800,000 sq ft of landscaping, 4,000 trees, potable water wells, water and wastewater pumps, and 459 miles of water distribution and 387 miles of wastewater pipelines.		
Financial Information- FY 19/20 Actuals (Audited Financial Statements) (Recreation and Parks, Graffiti Abatement, Lighting and Landscaping Districts Combined as “Governmental Activities”) (Excludes Water/Wastewater Enterprise Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Governmental Activities	\$16,025,081	\$15,410,913	\$614,168
	FY 19/20	Long Term Planned Expenditures	
Capital Expenditures	\$3,242,861	\$13,553,053	
Governmental Activities Fund Balance	\$17,897,332	June 30, 2020 Financial Statement	
Unrestricted Net Assets	\$0	June 30, 2020 Financial Statement	
Capital Assets	\$70,860,555	June 30, 2020 Financial Statement	
Net Position (Governmental Activities)	\$87,991,056	June 30, 2020 Financial Statement	
Debt & Unfunded Pension/OPEB Liabilities- Year Ending June 30, 2020 (Governmental Activities)			
Long Term Debt	\$158,648 – Compensated Absences only. No other long-term debt		
Unfunded Pension Liability	\$2,076,319		
Unfunded OPEB Liability	\$4,522,415		
Notes			
1) The water/wastewater portion of the MSR was reviewed in the 2019 Countywide Water/Wastewater MSR.			
2) “Governmental Activities” combine Recreation and Parks, Graffiti Abatement, Illumination District #2, and all Lighting and Landscape Maintenance Districts Funds. Details of each Fund are discussed further in this MSR report. Community Facilities Districts (CFDs) are reported as Fiduciary Funds)			

Figure 3-1- Boundary/SOI Map – Jurupa CSD



GROWTH AND POPULATION PROJECTIONS

JCSD currently serves a population of approximately 133,361 over a geographical area of approximately 41 square miles. The District's service area has significant potential for growth, both for residential housing, and commercial industrial activities. Portions of the District are experiencing steady growth, while other areas are either primarily built out, or are experiencing slower growth activity. By 2035, the District's service population is expected to increase to 161,014 residents. Most of this growth is expected to be in the urban area of the two cities (Jurupa Valley and Eastvale) within the District's service area. Significant commercial and industrial growth is also projected into the future within the northern portion of the District's service area.

ACCOUNTABILITY AND GOVERNANCE

JCSD is governed by a five-member Board of Directors, elected for four-year staggered terms. JCSD is divided into five Divisions. Board members are required to be a registered voter in the Division they represent, however, the registered voters within the entire District vote for all Board members. The Board meets at the District Office at 11201 Harrel St., Jurupa Valley, CA. on the second and fourth Monday of each month at 6:00 PM.

The Board of Directors appoints a General Manager who is responsible for managing District operations on a day-to-day basis. The General Manager selects, appoints, and manages staff and consultants to carry out District programs and projects. The Board also appoints a legal counsel and treasurer. Additionally, there are five Commissions & Committees that meet to provide more specified leadership in certain areas. These Commissions & Committees include the Eastvale Parks Commission, the Parks & Landscaping and Graffiti Committee, the Engineering/Water/Sewer/Conservation Committee, the Finance/Administration/Legislative and Public Relations Committee, and the Personnel/Policy/Advisory Committee. The Board of Directors also sits as the board of directors of the Jurupa Public Financing Authority, which manages bond debt related to the water/wastewater functions. The Board and designated staff maintain Form 700 disclosures and ethics training current.

JCSD Board of Directors	Term Expires
Betty Folsom	2022
Ken McLaughlin	2022
Jane Anderson	2022
Lupe Nava	2024
Bart Moreno	2024

In general, the District website is generally well organized and hosts a wide variety of information for public access. However, an issue regarding the website and access to agendas with accompanying staff reports and documents, and minutes exists as the links are very "non-user friendly". Although the information is there, the manner in which the 3rd party vendor utilized has set up the system is very lacking. Several links are disconnected. Additionally, only the most recent/upcoming 18 meetings are listed, and

the link to access previous meetings does not function. Budget and audit information is also not easily accessible due to no specific links identified to the document page in the drop-down menu under the Finance page, although they are linked on the Finance page. These basic functions of any public agency to provide easy website access to these critical documents for the public viewing should be corrected for transparency purposes.

The District provides public information on its website, including information on current projects, a history of the District, customer inquiries and FAQ's, water conservation programs, recreational programs, annual budgets, capital improvement project information, other major reports such as the Strategic Plan, and the annual audits. The website also includes direct contact information for the Board of Directors and staff, current compensation information, and Board and Committee/Commission meeting agendas, including staff reports and accompanying documents, and meeting minutes, however with accessibility issues mentioned previous.

The District publishes periodic newsletters, also available on-line, and utilizes social media for the public containing relevant current information on events, announcements and other items of interest, and hosts election polling sites, blood drives, and various other community-related activities and events at the Eastvale Community Center, and the neighborhood Center at Harada Heritage Park.

The District conducts evaluations of the District's performance in several ways including special event and program evaluations, quarterly operational evaluations, surveys, and community stakeholder meetings. The Parks & Recreation Department is one of only 172 nationally accredited agencies through the National Recreation and Park Association's (NRPA) Commission of Accreditation for Parks and Recreation Agencies (CAPRA), which requires 156 standards to be met every five years to maintain the accreditation. JCSD is one of only four such accredited agencies in California.

Customer inquiries and complaints are received in several ways including email, phone calls and a significant number through the E-Citizen phone App. E-Citizen is a system the District implemented as a multi-agency citizen engagement application with the involvement of the City Eastvale, City of Jurupa Valley, and Jurupa Area Recreation and Park District. The District established this network with agencies that are adjacent to or overlap the District's boundaries to create an effective system for the region. The application enables residents to submit service requests or report issues seen anywhere in the District and contract areas. The request will automatically be routed to the appropriate agency and department for review and resolution.

The application is available for download on smartphones and tablets, making it easy for citizens to submit a wide range of requests from graffiti to maintenance service requests, with a vast majority of these requests being addressed within 48 hours. This application has been widely accepted by residents and helped the District improve response times and track problem areas. The District reports that a total of 2,193 reports were submitted and closed out covering the two-year period of 2019-2020.

SERVICES – FACILITIES- INFRASTRUCTURE

Service Overview

JCSD currently provides recreation and parks services, street lighting and landscape maintenance services, and graffiti abatement services within its jurisdictional boundaries in addition to water/wastewater (not subject to this MSR). Additionally, the District provides graffiti abatement services outside its jurisdictional boundaries to the portion of the City of Jurupa Valley under a contract with the City. The District also contracts with the Riverside County Sheriff Department for supplemental law enforcement services, for dedicated patrol related to the recreation and park services function. Lastly, the District contracts for annual assessment engineering services, special tax consulting services, annual audit services and legal counsel as needed. Current overall District staffing is approximately 220 personnel, with 93 personnel assigned to specific duties for recreation and parks, lighting and landscape maintenance and graffiti abatement services.

Service needs are being met, with no major customer complaints. Minor complaints are handled as specified above. Operational efficiencies are optimized sufficiently based on the volume and relative nature of the complaints.

Recreation and Parks Services:

JCSD provides recreation and parks facilities and services within the City of Eastvale west of Hamner Ave. The Jurupa Area Recreation and Park District (JARPD) provides recreation and park services within the City of Eastvale east of Hamner Ave, and the remaining portions of the District, and the City of Jurupa Valley. Additionally, the District owns and operates two major community facilities within the City of Eastvale, the Eastvale Community Center and the Harada Neighborhood Center. The District operates and manages the parks and facilities through the JCSD Parks and Recreation Department.

The District reports that there are currently 15 parks encompassing 228 acres of park land that has been established and developed within the City of Eastvale, inclusive of the community and neighborhood centers, a 2.65 mile bicycle and equestrian trail, and a Kids Zone program in facilities at 5 elementary schools. The District reports that another 32 acres of park land is under planning and construction. The JCSD Parks and Recreation Master Plan Update approved in 2019 estimates approximately 7,702 additional residents will be added to the District's park territory by 2025. The District goal is to provide four acres of park land for every 1,000 residents.

Since 2015, the District has held a national accreditation (CAPRA) from NRPA, which provides quality assurance and quality improvement of accredited park and recreation agencies throughout the United States by providing agencies with a management system of best practices. CAPRA is the only national accreditation of park and recreation agencies and is a valuable measure of an agency's overall quality of operation, management, and service to the community. Currently, there are only 172 accredited park and recreation agencies in the United States and JCSD is now one of only four accredited agencies in California.

Following is a listing of JCSD parks and facilities:

Parks

- American Heroes Park - 19 acre-park. Amenities include barbeque grills, small and large dog park with agility equipment, picnic shelters, playground area, restrooms, and soccer fields. Picnic shelters and field space are available for permitted use when availability permits.
- Cedar Creek – 10-acre park. Amenities include barbeque grills, picnic shelters, playground area, water play/splash pad, restrooms, and open space. Open Space Picnic shelter reservations and field permits for cheerleading and soccer.
- Dairyland Park – 9-acre park. Amenities include small and large dog park with agility equipment, picnic shelters, restrooms and waterplay/splash pad. Picnic Shelters are permitted for use by request.
- Deer Creek Park – 9-acre park. Amenities include baseball/softball fields, barbeque grills, concession stand, picnic shelters, playground areas and restrooms. Permits for field space, concession building, and picnic shelters are available.
- Eastvale Community Park –17-acre park. Amenities include exercise trail, soccer/football fields, concession building, and restrooms. Permits for field space and concession building available.
- Half Moon Park – 5-acre park. Amenities include baseball/softball fields, picnic shelters, playground area and restrooms. Permits for field space and picnic shelters are available.
- Harada Heritage Park – 31-acre park. Amenities include baseball/softball fields, cricket fields, barbeque grills, concession stand, large and small dog park with agility equipment, picnic shelters, playground areas, skateboard park, soccer fields, and restrooms. Permits for field space, concession building, and picnic shelters are available.
- James C. Huber Park – 13-acre park. Amenities include baseball/softball fields, soccer/football fields, barbeque grills, concession stand, picnic shelter, playground area, skate park, tennis courts, and restrooms. Permits for field space, concession building, and picnic shelters are available per request.
- McCune Family Park – 12-acre park. Amenities include baseball/softball fields, basketball courts, barbeque grills, concession stand, picnic shelter, playground area, soccer field, tennis courts and restroom. Permits fields are available for field space, concession building and picnic shelters.

- Mountain View Park – 8-acre park. Amenities include basketball courts, barbeque grills, picnic shelters, playground area, tennis courts and restrooms.
- Orchard Park – 10-acre park. Amenities include baseball/softball fields, soccer/football fields, basketball courts, barbeque grills, concession stand, picnic shelters, playground area, skate park, sand volleyball court and restrooms.
- Providence Ranch Park – 13-acre park. Amenities include BBQ grills, concession stand, picnic shelters, gazebos, playground, soccer field, and restrooms.

Facilities

- Eastvale Community Center
 - 35,000 square foot facility on 4-acres of property
 - Programming – Youth and Adults sports including basketball and volleyball; pickleball; ping pong; youth recreation classes including art, computer courses, music, mommy and me; tiny tots; karate; dance; etc.
 - Reservations – Various community-related events and weddings, birthday parties, bridal showers; etc.
 - Operating Hours -8a.m. – 9p.m. M-Friday; Saturday and Sunday 8a.m. – 6p.m.
 - Administration offices – 8 Administrative offices
 - Front Desk operations/Customer Service assistance for all incoming patrons requiring assistance with class registration or reservation information.
- Harada Neighborhood Center
 - 5,000 square foot facility
 - Capacity Amount - 167
 - Programming – Mommy and Me, Tiny Tots, and various contract classes.
 - Reservable upon request
 - Operating Hours - 8a.m. – 9p.m. M-F
- Kids Zone Modular Sites (located on Elementary School campus):
 - Rosa Parks Elementary School – 2 Modular Buildings
 - 100 person capacity
 - Kids Zone before, during and after school program
 - Clara Barton Elementary School – 2 Modular Buildings
 - 100 person capacity
 - Kids Zone before, during and after school program

- Ronald Reagan Elementary School – 2 Modular Buildings
 - 100 person capacity
 - Kids Zone before, during and after school program
- Rondo School of Discovery – 2 Modular Buildings
 - 100 person capacity
 - Kids Zone before, during and after school program

Total inventory of park amenities are as follows:

- 1 full basketball court
- 11 ½ basketball courts
- 106 Barbeques
- 14 Baseball/softball fields, 13 of which are lighted.
- 819 lights for walkways, bollards, security, parking, and fields.
- 24 Picnic Shelters
- 16 Shade Covers
- 49 Restrooms
- 39 Drinking fountains
- 265 Picnic tables
- 228 Benches
- 30 bicycle racks
- 3 Skate parks
- 6 Tennis Courts
- 1 Pickleball Court
- 2 Dog Parks
- 2 Splash Pads
- 1 Disc Golf course
- 23 Playgrounds
- 1 Horse corral

The JCSD Parks and Recreation Department provides, coordinates and manages a variety of recreational programs on a year long basis. The parks are primarily utilized by organized youth sports leagues for soccer, softball, baseball, youth football and cheerleading and adult sports such as cricket, basketball, softball and tennis. Most parks have picnic shelters for use by the public on a reservation basis for gatherings such as family, birthdays and other celebrations.

Harada Heritage Park is home to the annual 65th Street Live! Concerts in the Park series held in the summertime, the Fall Festival in October and the BMX Skate Jam held three times per year at the skate park. Eastvale Community Park is home to the Annual Picnic in the Park celebration in June and the Friday Flicks and Food Trucks events held at various times throughout the year.

The Eastvale Community Center hosts a variety of programs including youth and adult basketball, volleyball, pickleball, table tennis, badminton, and various youth recreation classes including but not limited to, art, computer courses, music, Mommy and Me

sessions, Tiny Tots programs, karate, and dance programs. Additionally, the facility is available by reservations for birthday parties, weddings, bridal showers, and hosts various community-based events and meetings.

The Harada Neighborhood Center is available by reservation for community-based meetings and workshops and also operates Mommy and Me and Tiny Tots programs and various contract classes.

The District is also in the process of renovating the “Desi House”, originally built by Desi Arnaz, Sr. to replicate his childhood home in Santiago, Cuba, and now owned by JCSD. The facility is scheduled to open to the public in summer 2021 and will be available to the public as a recreation and leisure venue.

The following five elementary school site facilities host the “Kids Zone” before and after school programs: Clara Barton, Eastvale Elementary, Philistine Rondo School of Discovery, Rosa Parks, and Ronald Reagan.

JCSD, in conjunction with the City of Eastvale, has established a joint Parks Commission for the purpose of collaborating on maintenance and recreational programming matters. The Eastvale Parks Commission is comprised of two members of the JCSD Board of Directors and two members of the City of Eastvale City Council. Regular public meetings of the Eastvale Parks Commission are held on a bi-monthly basis and provide updates on maintenance and recreation activities of the department. Additionally, the Commissioners of the Eastvale Parks Commission provide valuable feedback regarding past and present programs and services to the Parks & Recreation Department.

Recreation programs and park information is disseminated widely through social media, the District website, informational newsletters providing constituents information on current programs, special events, and services provided by JCSD Parks and Recreation. The Eastvale Edition is a brochure mailed on a quarterly basis to all those within the parks territory (approximately 15,000 homes) and provides information on current parks and recreation programs, services, and special events. The Eastvale Edition is also posted on the Parks website at <http://www.jcsd.us/parks> and on social media.

The Desi House Construction Project Newsletter is mailed to the neighborhood that surrounds the Desi House to provide updates on the status of the project. This information is also on the JCSD website at www.jcsd.us/services/parks-and-recreation/the-desi-house.

The Recreation Division of JCSD continues to work on an increased collaboration with local stakeholders, non-profit groups, and local businesses, to increase sponsorship and volunteerism for special events and recreation programming to assist in enhancing the financial stability of these events and programs. JCSD continues to work towards an increase in water conservation measures and overall energy savings for the Parks Maintenance Division.

The District utilizes their 2018 Strategic Plan, the 2019 Parks and Recreation Master Plan, and the annual budget process which includes the Five-Year Capital Improvement Plan for decision making regarding long term goals and objectives. These documents incorporate updated information regarding planning activities, recreation resources, existing recreation programs, the recreation facilities needs assessment, and recommendations for achieving the short and long term objectives.

It is noted that over the last few years, the City of Eastvale has expressed an interest in absorbing the recreation and parks functions and services into the City as a city service. Any reorganization of this nature would require a complicated and mutually agreeable divestiture process that would fall under LAFCO's eventual adjudication authority.

Lighting and Landscape Maintenance:

JCSD manages approximately 6,000 streetlights within one Illumination District and four Lighting Maintenance Districts (LMDs) within the District (2,000 in City of Jurupa Valley; 4,000 in City of Eastvale). Additionally, the District manages three Landscape Maintenance Districts (LMDs) within the District. Each LMD may have a number of "benefit zones" for assessment purposes and maintenance requirements. Total landscape maintenance responsibility for frontage and median landscaping is approximately 4,800,000 square feet and over 8,000 trees.

Within the City of Jurupa Valley, JCSD owns the streetlights and maintains them through an agreement with the Western Riverside County Council of Government's (WRCOG) Streetlight Program. Within the City of Eastvale, The City of Eastvale owns the streetlights and is responsible for maintenance (through the WRCOG Streetlight Program), and electricity charges. However, the streetlights remain in the JCSD LMDs for assessment purposes.

Revenues derived from the assessments are transferred to the City of Eastvale through an agreement between the two agencies. The District and the City of Eastvale are currently in discussions regarding transfer of the streetlight LMDs from the District to the City of Eastvale. This transfer is expected to occur under the provisions of the benefit assessment law. Landscape maintenance for public right of way within designated areas of both cities are included in the landscaping LMDs. Funding for all streetlight and landscape maintenance is derived from annual assessments of all parcels within each LMD.

Graffiti Abatement:

Graffiti abatement services are provided throughout the entire District. Additionally, services are provided to portions of the City of Jurupa Valley not included within the District boundaries via a contract for services with the City. Requests for abatement are primarily made through the E-Citizen smart phone application whereby a report can be made, including submitting a photograph of the graffiti.

The District's goal is to respond to graffiti reports and cleanup within 48 hours. However, graffiti removal from private property may take longer as the property owner's permission to enter the property is required. Property owners may place an authorization letter on file with the District to eliminate any time lag.

Facilities/Infrastructure

In addition to the infrastructure and facilities identified above related to recreation and parks and street lighting, JCSD also owns the District office facility located on Harrell Street in the City of Jurupa Valley, and several other facilities and infrastructure related to water/wastewater infrastructure, including 459 miles of water and 387 miles of wastewater pipelines.

Service Adequacy

JCSD is providing services at a very high level of quality, as noted by their national CAPRA accreditation, membership in various state (California Parks & Recreation Society, Southern California Municipal Athletic Federation) and national (National Recreation and Park Association, National Alliance for Youth Sports, Learning Resource Network) organizations, lack of major customer complaints, and no significant issues recently related to infrastructure.

- California Parks & Recreation Society (CPRS) Award of Excellence - Print Publication for Eastvale Community Campout
- CPRS Award of Excellence - Print Publication for Concerts In The Park Series
- CPRS Award of Excellence - Marketing Campaign for Kids Zone Program
- Southern California Municipal Athletic Federation - New or Expanded Recreation Facility for Eastvale Community Park
- CPRS Award of Excellence - Print Publication - Summer Eastvale Edition
- CPRS Award of Excellence - Marketing Campaign - Friday Flicks & Food Trucks

Minor complaints are followed up until resolution. Graffiti abatement services is well managed and efficient, and lighting and landscape maintenance is adequate. The City of Eastvale, however, has expressed concern that there is a lack of adequate recreational programs provided, and that residents pay a higher cost for program fees. Although the City has not submitted any quantification, it is worthy of mention in this MSR.

Since its existence, JCSD has provided the services it has intended to provide and maintains adequate capacity to continue providing adequate levels of service. However, expansion of recreational programs and services may be restricted by availability of sufficient fee revenues to support these services. However, the District does have the ability to raise fees or utilize reserves to avoid fee increases as program costs increase.

Facilities/Infrastructure Needs

JCSD reports that current facilities and infrastructure are adequate to support current services and absorb future growth. The District reports no capacity issues for current infrastructure and does not anticipate capacity issues in the foreseeable future development. However, as growth occurs throughout the District, and in particular residential growth in the City of Eastvale, additional park infrastructure and facilities will most likely be required. There most likely will not be additional requirements for streetlighting and landscape maintenance to support future growth as those functional services are now being picked up by the two cities through their respective LMD annexations under their jurisdictional control.

The District has identified Capital Improvement Plan (CIP) projects for the next five years and has identified sources of funding for those projects. And as always with any public agency, major projects are all dependent on availability of funds to support scheduled construction and future maintenance of facilities and infrastructure.

Cooperative Programs

JCSD participates in the WRCOG Streetlight Program. This program was established for WRCOG cities and other agencies having responsibility for streetlights owned by Southern California Edison to purchase, retrofit and maintain the streetlights at reduced costs through maintenance agreements with WRCOG. Several cities within the WRCOG region also participate in this cooperative program. JCSD is also members of two Joint Powers Authorities for landscape maintenance services. One is with the City of Norco for maintenance adjacent to Community Facilities District No. 12, and the other is with the County of Riverside for landscape maintenance on easements within public right of ways. The District coordinates and works with various community groups such as the sports leagues and school districts for various activities.

The District participates in the development of the Santa Ana River Trail through a Memorandum of Understanding with the Riverside County Regional Parks & Open Space District, and the Cities of Corona and Norco. This cooperative effort is designed to coordinate the planning and development of that portion of the trail that falls within each agency's territory. JCSD provides contract services to the City of Jurupa Valley for graffiti abatement within the areas of the City that are not within the District boundaries. The District also contracts with the Santa Ana Watershed Association for temporary use of property for removing invasive plant species and habitat restoration. The District contracts with the Riverside County Sheriff Department for dedicated patrol service for the parks and facilities in the City of Eastvale, and with the Corona/Norco Unified School District for lease agreements to place modular buildings on five elementary school properties, a land lease agreement for the Eastvale Community Center, and shared facilities agreements for school use of parks that are adjacent to the schools.

The District is a member of the California Special Districts Association.

FINANCIAL OVERVIEW

JCSD reports financial information relating to the funds for Street Lighting, Landscape Maintenance, Recreation and Parks, and Graffiti Abatement, separately in its financial statements. The special funds listed above are reported in the aggregate under “Governmental Activities”. Mello-Roos Community Facilities District (CFD) funds are reported in the audited financial statements as fiduciary funds. Water and Wastewater funds are reported as enterprise funds and not included in this financial overview and discussion unless specified for clarity. The District conducts an independent audit annually, the last three years reflecting an “unmodified” opinion, and the District provides all reporting to the State Controller’s Office as required by statutes.

The financial position of the District is considered stable for the foreseeable future, with sufficient restricted fund balance and net assets available for short term potential revenue deficits. The District does not have debt service related to the services reviewed herein. Its debt service to annual expenditure ratio for the Water and Wastewater Enterprise Funds is very good. JCSD currently monitors annual escalating costs to ensure that the costs of providing services will not outdistance the annual increase in revenues. The CFDs and Lighting/Landscape Maintenance Districts (LMDs) allow annual increases of special taxes and benefit assessments, respectively, however, increases above the proscribed rates will require voter support. Any future failure to properly budget and appropriate could potentially impact future adequacy of maintenance. All of JCSD’s governmental funds are considered stable and self-sustaining for the related operational activities, although some deficit spending has occurred in the past, as the recent purchase of the streetlights from SCE as part of the Streetlight Program is designed to address this issue and is anticipated to reduce the long-term expenditures by reducing electrical costs. Those streetlights within the City of Eastvale have since been sold to the City of Eastvale, and the related funds are transferred to the City to pay its costs.

Levies of special taxes and assessments through CFDs and the LMDs respectively, comprise the most significant source of revenues for the associated funds, followed by program fees specific to recreation and facilities use, and to a lesser extent, *ad valorem* property taxes and interest earnings. Parks and landscaping maintenance and improvements comprise the most significant expenditures for the District’s Governmental funds, followed by street lighting expenditures, recreation services, graffiti abatement, and general/administrative expenditures pro-rated into the different expenditure funds.

JCSD reports that currently there are 45 CFDs that have bond indebtedness and which are reported as fiduciary funds and payable from special taxes delivered to a fiscal agent, which is a corporate trust bank. JCSD maintains a small long-term liability for compensated absences, and reasonable unfunded pension liability with CalPERS as compared to net assets and fund balances. Additionally, the unfunded OPEB liability is not considered significant when allocated over all funds to which it correlates. See the Pension and OPEB Unfunded Liabilities section below for a discussion of the actions taken by the District to address their unfunded CalPERS and OPEB liabilities.

Table 3-2 following, provides a snapshot of key financial data from the last three fiscal years. An analysis of the data related to several key financial status and financial health indicators follows.

NOTE That the financial information posted does not include the Water and Wastewater Enterprise Funds as they were already analyzed in the previous Countywide Water/Wastewater MSR/SOI update in 2019/2020.

Table 3-2- Financial Information- JCSD (Source- Audited Financial Statements)

Financial Information- (Actuals) (Excludes Water/Wastewater Enterprise Funds)			
	FY 19/20	FY 18/19	FY 17/18
Eastvale Recreation/Parks Revenues	\$14,213,388	\$11,787,990	\$10,817,824
Eastvale Recreation/Parks Expenditures	\$13,107,278	\$12,056,954	\$9,283,151
Eastvale Recreation/Parks Surplus/(Deficit)	\$1,106,110	(\$268,964)	\$1,534,674
Illumination District #2 Revenue	\$291,884	\$284,266	\$284,149
Illumination District #2 Expenditures	\$254,043	\$260,284	\$305,172
Illumination District #2 Surplus/(Deficit)	\$37,841	\$23,982	(\$21,023)
Landscaping/Lighting Revenue	\$1,302,916	\$1,242,752	\$1,176,207
Landscaping/Lighting Expenditures	\$1,832,833	\$2,212,018	\$1,119,984
Landscaping/Lighting Surplus/(Deficit)	(\$529,917)	(\$969,266)	\$56,233
Graffiti Abatement Revenues	\$216,893	\$220,674	\$199,127
Graffiti Abatement Expenditures	\$216,759	\$219,630	\$199,322
Graffiti Abatement Surplus/(Deficit)	\$134	\$1,044	(\$205)
Combined Governmental Activities Surplus/(Deficit)	\$614,168	(\$1,213,204)	\$1,569,679
Capital Expenditures (Combined)	\$3,242,861	\$3,024,400	\$1,195,353
Fund Balance (Combined)	\$17,897,332	\$17,283,164	\$18,496,365
Debt Service Expenditures (Combined)	\$0	\$0	\$0
Long Term Liabilities (Combined)	\$158,648	\$153,551	\$153,244
Unrestricted Net Assets (Net Position)	(\$1,608,663)	(\$1,205,418)	\$0
Restricted Net Assets (Net Position)	\$18,739,164	\$21,027,047	\$22,020,338
Capital Assets (Combined) (Net of	\$70,860,555	\$69,918,619	\$69,070,483
Unfunded Pension Liability (CalPERS)	\$2,076,319	\$1,887,496	\$1,972,676
Unfunded OPEB Liability	\$4,522,415	\$3,633,514	\$3,892,293
Net Position (Combined)	\$87,991,056	\$89,740,248	\$91,090,824

The Eastvale Parks Fund is used to account for parks special tax revenue and facilities/recreation fees restricted for park maintenance and programs.

The Illumination District Fund is used to account for revenues from property taxes and special assessments restricted to expenditures for Illumination District No. 2.

The Landscaping and Lighting Funds are used to account for the revenues received from special assessment revenue restricted for expenditures for Landscaping and Lighting

Districts 91-1, 98-1, 98-2, 2001-1, 2001-2, 2001-3, 2003-1, and the Streetlight Capital Fund.

The Graffiti Abatement Fund is used to account for special assessment, property tax and contract revenues for expenditures for abatement services within the Cities of Eastvale and Jurupa Valley.

There are nine primary areas of criteria that LAFCO utilizes for assessing the present and future financial condition of any Special District's ability to provide efficient service operations as discussed below:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Net Position
6. Pension and OPEB Unfunded Liabilities
7. Capital Assets and Capital Improvement Plan
8. Fee Structure for Services Provided
9. Cost Avoidance Programs

3 Year Revenue/Expenditure Budget Trends

A trend analysis of revenues and expenditures provides a relatively quick snapshot of financial stability, and financial management of budgetary ebbs and flows over a short period of time. Although annual budgetary decisions drive fluctuations in revenues and expenditures in any given year, sustaining a balanced or surplus trend is desirable.

For JCSD, the combined Governmental Activities revenue trend is positive, with the expenditure trend fluctuating based on annual capital expenditure decisions. The trend reflects revenues generally exceeding expenditures which is a positive reflection of future financial stability.

JCSD's Lighting and Landscape Maintenance Districts are self-sustaining with revenues and expenditures tracking appropriately, and there is a sufficient reserve for repair and replacement. The rising costs of services will necessitate that JCSD closely monitor revenues to ensure that there is no degradation in services provided.

The Graffiti Abatement Program was formed under the Landscape and Lighting Maintenance Act of 1972, establishing the assessment district for dedicated revenues to support the graffiti abatement services. Additional revenue is derived from a contract with the City of Jurupa Valley to provide this service outside the District's boundaries and within the corporate boundaries of the City of Jurupa Valley.

JCSD revenues for Recreation and Parks and landscape maintenance services are limited to the direct charges for services together with special taxes and the annual

increases allowed for the special tax revenue. If there was a cost growth trend that outpaced revenue growth, then such a trend could, over time, create the potential for decreased services. JCSD has a relatively significant fund balance available for parks in excess of \$16 million. Additionally, JCSD's unfunded pension and OPEB liabilities related to all governmental functions and can be allocated across such funds respectively, and as such are considered less than significant.

53 CFDs have been formed to finance capital infrastructure and maintenance related to parks, water and wastewater within the City of Eastvale. 45 of the CFDs currently support debt service on outstanding bonds. The remaining CFDs report contributions to the Recreation and Parks Fund. All CFDs are considered Fiduciary funds. There are no issues noted with revenues and expenditures related to the CFDs. All CFDs are currently self-sustaining and meet all bond debt service requirements.

Ratios of Revenue Sources

Diversity of revenues is an indicator of any public agency's ability to withstand a major loss in one revenue stream without a significant impact to operations and services. Ideally, an agency should have 3-4 revenue streams that are as equally balanced as possible, however, that isn't always possible in some agencies.

JCSD receives approximately 65% of its combined funding for recreation and parks, graffiti abatement, and lighting and landscape services from special taxes received from CFDs and benefit assessments received from LMDs on subject properties in JCSD. Approximately 29% of revenue for Parks and Recreation comes from facility and program fees, which is dedicated to the Recreation and Parks Fund. The remaining 6% comes from *ad valorem* property taxes and interest earnings.

The District's revenue stream is diversified to a certain level, as it receives special taxes from dozens of CFDs and receives fees for facilities use and special programs. Alternative recurring revenue sources such as sales taxes and transient occupancy taxes that are available to cities are not readily available to the District to allow for further diversification.

However, special taxes and benefit assessments on properties, and general *ad valorem* property taxes are a relatively stable revenue stream, even in economic downturns, as well as the ability to draw on reserves and raise fees. Thus, it can be concluded that the special taxes, benefit assessments and *ad valorem* property tax revenues will most likely remain stable. Overall, the revenue status of JCSD can be considered sustainable over the foreseeable future and beyond.

Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. A ratio of 30% or greater of fund

balance/reserve to annual expenditures is generally considered an adequate ratio to maintain.

Each of the individual Governmental funds maintain fund balances with ratios to expenditures ranging from 46% to 213%. The overall Governmental Funds ratio was 116% as of June 30, 2020. These ratios reflect a very good fund balance to expenditure ratio and it is noted that the fund balances are also restricted to the specific fund. Additionally, JCSD has implemented a Reserve Policy establishing various categories of reserves to be maintained for various contingencies.

The District has unfunded pension and OPEB liabilities for all of its Governmental funds; however, the District has taken several actions in recent years to address their unfunded CalPERS and OPEB liabilities. Effective for employees hired after 2007, the OPEB lifetime benefit was restricted to employees that have attained age 55 and have 20 years of full-time service (partial benefits start vesting after 10 years of full-time service). Effective July 1, 2014, the District eliminated the OPEB benefit for District employees hired on or after that date.

In 2019, the District's Board adopted a funding plan for both the CalPERS and the OPEB unfunded liabilities that provide for annual payments of these liabilities to the District's CEPPT/CERBT Trust accounts. These funding plans provide for elimination of these liabilities over a 10-year period.

Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10% or less would reflect a very stable ratio.

The District has no debt associated with the services reviewed in this MSR, and therefore no ratio to assess, which is a positive aspect to overall financial stability. Notably, debt service relating to the CFDs is not District debt, rather, a CFD's debt obligation attaches directly to the property subject to the special taxes and the special taxes are directly remitted to the bond trustee. Additionally, the Water Enterprise and Wastewater Enterprise operations maintain debt ratios of approximately 2.8% and 11.0% respectively (FY 2020/21 Budget). JCSD has minor unfunded pension and OPEB liability requirements across all governmental funds which are discussed elsewhere in this report.

Net Position

An agency's "Net Position" as reported in its audited financial statements represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other long-term liabilities). A positive Net Position provides an indicator of financial soundness over the long-term.

The FY 19/20 ending net position for the District was \$87,991,056 for the combined Governmental Activities. As compared to annual revenues and expenditures, this is a significant amount of net position, however, approximately 80% of net position is related to capital assets. Taking that into consideration, this positive net position indicates stability with the District's ongoing governmental activities.

It is noted that the annual net position over the three fiscal years declines modestly. This is due primarily to depreciation of capital assets. However, in none of those years does the net position trigger a concern.

Pension and OPEB Unfunded Liabilities

Unfunded pension and OPEB liabilities present one of the most serious fiscal challenges facing many public agencies in California today. When reporting required under GASB Statement #68 was implemented, many public agencies were awakened by the reality of the long-term unfunded liability aspect of their respective pension and OPEB obligations.

JCSD employees' retirement pensions are covered under the CalPERS pension system, in the Miscellaneous Plan category. For purposes of the financial statements, the net pension liability is pro-rated between the Enterprise Fund employees, and the other funds employees combined under Governmental Activities.

In recent years the District has taken several actions to address their unfunded CalPERS and OPEB liabilities. Effective for employees hired after 2007, the OPEB lifetime benefit was restricted to employees that have attained age 55 and have 20 years of full-time service (partial benefits start vesting after 10 years of full-time service). Effective July 1, 2014, the District eliminated the OPEB benefit for District employees hired on or after that date. In 2019, the District's Board adopted a funding plan for both the CalPERS and the OPEB unfunded liabilities that provide for annual payments of these liabilities to the District's CEPPT/CERBT Trust accounts. These funding plans provide for elimination of these liabilities over a 10-year period. The District has also established a \$1,000,000 reserve in support of OPEB liabilities. According to the most recent audit report ending June 30, 2020, the CalPERS actuarial report for the measurement period ending June 30, 2019, lists the total current CalPERS Unfunded Pension Liability at \$9,835,613 (District-wide for all funds). The pro-rated portion for the Governmental Activities employees was calculated by the audit as \$2,076,319.

Although JCSD no longer provides an OPEB benefit plan for employees hired on or after July 1, 2014, the defined benefit that was offered to employees hired prior to that date is being funded based on the Board adopted OPEB funding plan over a 10-year period (see discussion above). The OPEB unfunded liability as of June 30, 2020 is calculated at \$20,844,072 (District-wide for all funds) based on the measurement period ending June 30, 2019. As of June 30, 2021, this unfunded liability has been reduced to \$11,296,277 (District-wide for all funds) based on the measurement period ending June 30, 2020. As with the pension unfunded liability, the financial statements separate the pro-rated portion for Enterprise Fund employees and all other fund employees as Governmental Activities.

The pro-rated portion of the OPEB unfunded liability for the Governmental Activities is \$4,522,415 as of June 30, 2020.

Capital Assets and Capital Improvement Program

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technological changes. Depreciation typically spreads the useful life of a capital asset over time to calculate an annual asset valuation for accounting purposes. The actual timing and amount of annual capital investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable capital expenditures.

The District's capital assets (excluding the Water and Wastewater Enterprise Fund assets) include land (which is non-depreciable) and buildings and improvements, as well as furniture and equipment (which all depreciate). The District has developed and implemented an aggressive and comprehensive CIP for infrastructure improvements.

The District's current 5-Year CIP reflects approximately \$13,553,053 in improvements for the combined Governmental Activities funds primarily related to parks, landscaping and recreational facilities, with approximately \$4,099,801 programmed for FY 20/21.

As of June 30, 2020 the District reported \$105,078,310 in capital assets and \$34,217,755 in accumulated depreciation resulting in \$70,860,555 net capital assets for the various Governmental Activities funds. The most significant capital assets are related to parks and facilities.

Fee Structure for Services Provided

Most public agencies charge fees for various services that provide a direct benefit to the recipient of the specific service. JCSD collects virtually all of the District fee revenue for the services reviewed in this MSR through Special Taxes and Benefit Assessments levied on parcels contained within each respective CFD and assessment district. Special taxes and benefit assessments are enrolled annually for collection and allocation by the County Treasurer-Tax Collector.

Other fees are charged for recreational and facility rental services at various rates dependent upon the facility/program, and graffiti services are funded through transfers of property tax from other funds and the contract with the City of Jurupa Valley. Public recreation programs and facilities rental fees are all listed on the District's website, and categorized for easy identification of the fees charged.

Cost Avoidance Programs

JCSD implements cost avoidance measures wherever possible as a matter of routine management. The District has implemented a work order system through the CityWorks

program to improve efficiencies in the operations and maintenance in the areas of park maintenance, landscaping frontages, and graffiti abatement. Additionally, JCSD has continued to build a strong foundation for the acceptance of sponsorships and donations to help fund special events and recreation programming. JCSD also performs a Mid-Year Budget review process annually as part of their management to budget process.

JCSD actively pursues grant opportunities, partnership collaborations and sponsors to increase revenue for fee based funded activities including special events and recreation programming.

DISADVANTAGED UNINCORPORATED COMMUNITIES

LAFCO has determined that there are no DUC's within or contiguous to JCSD's sphere of influence, therefore no additional analysis is required for JCSD in this report.

STATUS OF ISSUES IDENTIFIED IN MOST RECENT MSR

JCSD was included in the 2019 MSR for Countywide Water/Wastewater services. The last MSR for JCSD for other services was performed in 2005. There were no service or financial issues identified in the previous MSR.

However, the 2005 MSR did address the issue of overlapping boundaries of two districts, JCSD and the Jurupa Area Recreation and Park District (JARPD) providing recreation and park services. As this MSR was performed prior to the incorporation of the Cities of Eastvale and Jurupa Valley, recreation and park services should be considered further for potential consolidation for addressing now established overlapping boundaries with the two cities. Eastvale specifically, by being served by two recreation and park districts, causes irregular and illogical service boundaries within the City.

GOVERNMENT STRUCTURE ALTERNATIVES

There is only one government structure alternative that is considered applicable to JCSD at this time. However, noted below is an alternative service delivery based on the City of Eastvale's potential desire to assume recreation and parks services as a City service.

Maintain the status quo.

JCSD's government structure currently in place is more than sufficient to provide the appropriate governance structure for the District. The District maintains an adequate staff, is efficient in delivery of services and appears to be diligent in not overextending. Therefore, the District's current governmental structure should be maintained.

Divesture of Recreation and Parks Services to the City of Eastvale

Over the last few years, the City of Eastvale has expressed an interest in absorbing the recreation and parks functions and services of the District into the City as a city service.

Any reorganization of this nature would require a complicated and mutually agreeable divestiture process for transferring that service subject to LAFCO approval. However, there would be no change required for JCSD's jurisdictional boundary and SOI.

Additionally, if such a divestiture were to be undertaken, it would be appropriate from an efficiency of service and governance standpoint for the City of Eastvale to also absorb the same services provided by JARPD within the City of Eastvale's boundaries (all territory east of Hamner Ave).

This could be accomplished by a Reorganization (Detachment) process through LAFCO initiated by any affected agency or by a registered voter or landowner petition, or a similar divestiture process for the area, either of which will result in a change in JARPD's jurisdictional boundary and SOI.

RECOMMENDED MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the information, issues, and analysis presented in this report, proposed MSR determinations pursuant to Government Code section 56430 are presented below for the LAFCO Commission's consideration:

1) *Growth and Population Projections*

- JCSD currently services a population of approximately 133,361 over a geographical area of approximately 41 square miles. The District's service area has significant potential for growth, both for residential housing, and commercial industrial activities. Portions of the District are experiencing steady growth, while other areas are either primarily built out, or experiencing slower growth activity.
- By 2035, the District's service population is expected to increase to 161,014 residents. Most of this growth is expected to be in the urban area of the two cities (Jurupa Valley and Eastvale) within the District's service area. Significant commercial and industrial growth is also projected into the future within the District's service area.

2) *Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the CSD's SOI.*

- There are no Disadvantaged Unincorporated Communities within or contiguous to JCSD's SOI.

3) *Present and Planned Capacity of Public Facilities and Adequacy of Public Services Including Infrastructure Needs and Deficiencies Related to Disadvantaged Unincorporated Communities.*

- JCSD's current facilities and infrastructure are adequate to support current services and absorb future growth. There are no capacity issues for current

services and infrastructure, and for the foreseeable future development. JCSD has developed plans to increase facilities and services based on projected growth.

- Future recreation and park services will require sufficient revenues to support future residential growth within the City of Eastvale, which can be achieved through assessments, where applicable, fee-based recreation programs and services, and the collection of development impact fees and/or parkland dedication in lieu of fees. Graffiti services within the District and the contracted area outside the District boundaries but within the City of Jurupa Valley will require sufficient revenues related to potential increases in service requirements related to growth.
- There are no deficiencies related to DUCs as there are no contiguous DUCs.

4) *Financial Ability of the CSD to Provide Services.*

- JCSD has the financial ability to provide services. The District generally operates with an operational surplus for the services reviewed in the MSR, has sufficient fund balance available to meet infrastructure and other contingency needs, and has no significant long-term debt associated with the services reviewed other than unfunded pension and OPEB liabilities.
- Given the stability of the District's existing revenue sources, and the District's conservative budgeting practices, it appears that JCSD has a low risk for financial distress.
- Lacking the ability to obtain alternative revenue sources that are normally available to other agencies such as Sales Tax and Transient Occupancy Tax that cities receive, and with the restrictions on raising assessments unless a two-thirds approval of registered voters is obtained, long term service delivery for parks infrastructure and landscape maintenance could potentially be impacted. Recreational programs , graffiti abatement and streetlight services are sustainable for the foreseeable future.

5) *Status of, Opportunities for Shared Facilities.*

- JCSD shares the Eastvale Community Center and the Harada Heritage Park Neighborhood Center for hosting a wide-variety of community-related events. Both facilities are also available to community groups and organizations, and it is anticipated that this will not change in the future.
- Through various collaborative initiatives and programs, the District shares various parks and facilities with local non-profit sports leagues and other organizations through individual agreements. It is anticipated that these collaborative efforts will continue.

- The District maintains a facilities sharing arrangement with the Corona/Norco Unified School District for lease agreements to place modular buildings on four elementary school properties, a land lease agreement for the Eastvale Community Center, and shared facilities agreements for school use of parks that are adjacent to the schools. These agreements and sharing arrangements are anticipated to continue well into the future.

6) *Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies.*

- JCSD is governed by a five-member Board of Directors, elected at large, however, residing within one of the five geographical Divisions. The Board of Directors meets once per month. The website includes direct contact information for the Board of Directors and staff and current compensation information.
- The District also has five Commissions & Committees that meet to provide more specified leadership in certain District functions.
- The Board of Directors appoints a General Manager who is responsible for managing District operations on a day-to-day basis. The General Manager selects, appoints, and manages staff and consultants to carry out District programs and projects.
- Currently, overall District staffing is approximately 220 personnel, with 93 personnel assigned to specific duties for recreation and parks, landscape maintenance and graffiti abatement services.
- The District provides public information on its website, including information on current projects, a history of the District, customer inquiries and FAQ's, conservation programs, recreational programs, annual budgets, capital improvement project information, other major reports such as the Strategic Plan, the annual audits, Board meeting agendas, including staff reports and accompanying documents, however with some accessibility issues.
- Service needs are being met, with no major customer complaints, however numerous minor complaints primarily related to minor maintenance issues being received over the last two years. All complaints are followed up on and tracked until resolved. Operational efficiencies are optimized sufficiently based on the volume and relative nature of the complaints.
- No alternative government structure options are considered superior to the current structure at this time.

7) Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.

- Over the last few years the City of Eastvale has expressed an interest in absorbing the recreation and parks functions and services of the District into the City as a city service. Any reorganization of this nature would require a complicated and mutually agreeable divestiture process for transferring that service subject to LAFCO approval. However, there would be no change required for JCSD's jurisdictional boundary and SOI.
- Additionally, if such a divestiture were to be undertaken, it would be appropriate from an efficiency of service and governance standpoint for the City of Eastvale to also absorb the same services provided by JARPD within the City of Eastvale's boundaries (all territory east of Hamner Ave). This could be accomplished by a Reorganization (Detachment) process through LAFCO initiated by any affected agency or by a registered voter or landowner petition, or a similar divestiture process for the area, either of which will result in a change in JARPD's jurisdictional boundary and SOI.

RECOMMENDED SPHERE OF INFLUENCE DETERMINATIONS

Existing Sphere of Influence

JCSD's existing sphere of influence extends beyond the District's jurisdictional boundaries. The areas of the extended SOI are in the Northwest Corner of the District within the City of Jurupa Valley and adjacent to the City of Fontana. A large area within the southwest portion of the City of Jurupa Valley, and smaller areas adjacent to the Santa Ana River comprise the remainder of the extended SOI.

Sphere of Influence Analysis

One of LAFCO's objectives is to eliminate illogical boundaries and associated service inefficiencies, where these issues exist. In 2020, the Commission revised the District's current SOI as part of the Water/Wastewater MSR process. Based on the geographic and jurisdictional boundaries that currently exist, and the current SOI established in 2020, an SOI expansion is not recommended at this time.

Sphere of Influence Options

Only one option is identified with respect to JCSD's SOI.

Option #1: Maintain the current SOI.

The current SOI for JCSD was established in 2020 as a result of the Countywide Water/Wastewater MSR/SOI Update process. This current SOI remains the logical SOI for the remaining services reviewed in this MSR.

Sphere of Influence Determinations

Following are the five recommended determinations for the LAFCO Commission's consideration as required by Government Code section 56425(e):

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

- JCSD is not authorized land use planning authority. The Cities of Eastvale and Jurupa Valley are responsible for land use planning.
- Current land use planning and zoning by the two cities take into consideration the relevant aspects of managed development.
- It is likely future land use decisions by either city could potentially impact of maintaining the rural nature of portions of the JCSD service area.

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

- Current facilities and services are adequate to support the service area, including future growth in the area at the present rate, however funding for recreation services is constrained by available revenues, other than fee increases or use of reserves as costs rise.
- Long term, there may be a need for expansion of some infrastructure and services for parks and recreation.
- Expansion of services will require sufficient revenues to support the cost of any service expansion.

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

- Sufficient capacity of parks and recreational facilities exists to support providing adequate public services authorized and being provided.
- Long term services could potentially be impacted due to revenue restrictions and continued cost increases for the services provided. This could necessitate potential special tax and benefit assessment increases for park and landscape maintenance, and/or fee increases for public use of facilities and programs to maintain service levels.

4) *The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.*

- There are no specific communities of interest within the JCSD jurisdictional boundaries related to recreation and parks or lighting and landscape maintenance services that require special attention nor have any identified service issues.
- The communities of Glen Avon, Sunnyslope, Mira Loma, Pedley, and Indian Hills within the City of Jurupa Valley are within the District's boundaries. These communities do not receive recreation and park services from the District, however, these communities, in addition to all of the City of Jurupa Valley, do receive graffiti abatement services from the District.

5) *For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.*

- There are no Disadvantaged Unincorporated Communities within or adjacent to the existing SOI.

Chapter 4- Rubidoux CSD

OVERVIEW / BACKGROUND

The Rubidoux Community Services District (RCSD or District) was organized in 1952 in accordance with the Community Services District Act (Government Code section 61000 et seq.). The District's primary service area is within the City of Jurupa Valley and approximately 128 acres in San Bernardino County. The District is bounded by San Bernardino County on the north, the Jurupa Mountains and Pedley Hills on the northwest, City of Jurupa Valley areas on the west, the Santa Ana River on the south and the City of Riverside on the east. The District's current boundaries encompass an area of approximately 7.7 square miles and serves an estimated population of 35,000.

RCSD is currently authorized to provide fire protection, weed abatement, street lighting, solid waste collection, and water and wastewater services. RCSD's authorized services were approved by LAFCO on January 25, 2007 per the requirements of SB 135, chaptered into law in 2005. RCSD does not anticipate expanding services additional to the current services provided. Available latent powers that the District is authorized under Community Service District statutes that the District may desire to provide would require a public hearing and formal authorization from the LAFCO Commission. No services are provided outside the District's jurisdictional boundaries.

This MSR/SOI Update is only focused on the fire protection, weed abatement, solid waste collection and streetlighting services since the water/wastewater services were reviewed as part of the Countywide Water/Wastewater MSR in 2019.

Table 4-1 on Page 71 provides a snapshot profile of RCSD.

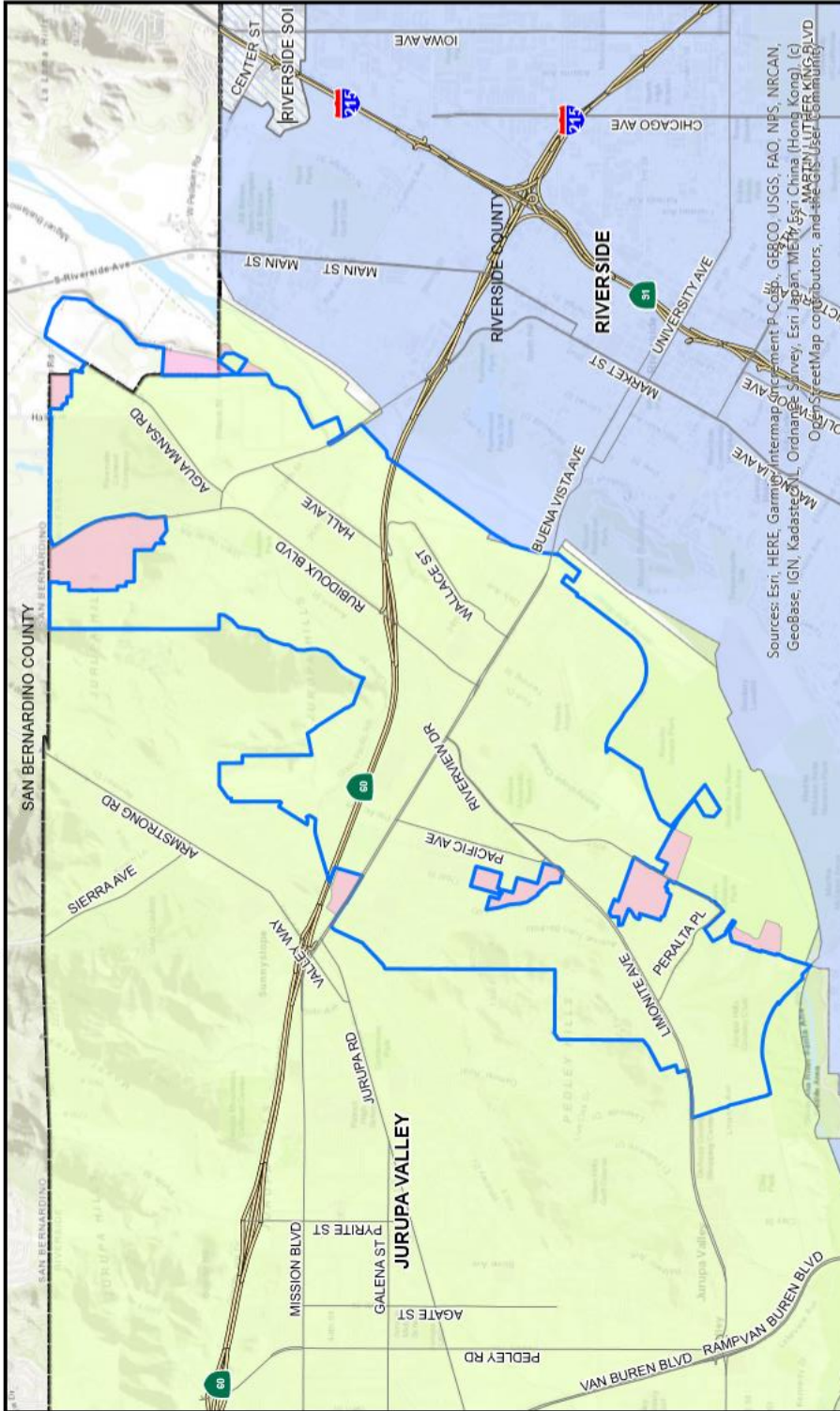
A map of the District's current boundary and SOI is shown in **Figure 4-1** on Page 72.

Table 4-1- Profile – Rubidoux CSD

General Information			
Agency Type	Municipal - Community Services District		
Principal Act	Section 61000 et. Seq. of the California Government Code		
Date Formed	1952		
Services Provided	Fire Protection, Weed Abatement, Street Lighting, Solid Waste Collection and Water/Wastewater		
Location	Portion of the City of Jurupa Valley, 128 acres in San Bernardino County. District Office: 3590 Rubidoux Blvd, Jurupa Valley, CA 92509 (951) 684-7580		
Sq. Miles/Acres	7.7 Sq. Miles		
Contact	Jeff Sims, General Manager, jsims@rcsd.org		
Website	www.rcsd.org		
Population Served	Approximately 35,000		
Last SOI Update	2005- All services, 2020- water/wastewater		
Governance/Staffing			
Governing Body	5-member Board of Directors, elected at large		
Terms	4-year staggered terms		
Meeting Information	1 st and 3 rd Thursday of the Month at 4:00 pm at the District Office- 3590 Rubidoux Blvd, Jurupa Valley, CA 92509		
Total Staff	25 employees (per the District Org Chart)		
Staff Categories	General Manager, Department Heads, Division Managers/Supervisors, Admin, Finance, Engineering, Field Personnel		
Facilities/Other Infrastructure			
Facilities	District Office, Fire Station No. 38		
Other Infrastructure	Approximately 900 streetlights, 4 water reservoirs, 6 wells, 2 water booster stations, 6 wastewater lift stations, water treatment facility, vacant land, and approximately 70 miles of water and 68 miles of wastewater pipelines.		
Financial Information- FY 19/20 Actuals (Audited Financial Statements) (Governmental Activities Includes General Fund and Solid Waste Collection Fund) (Excludes Water/Wastewater Enterprise Funds)			
	Revenues	Expenditures	Net Surplus/(Deficit)
Governmental Activities	\$8,338,006	\$7,998,837	\$339,169
	FY 19/20	Long Term Planned Expenditures	
Capital Expenditures	\$0	None.	
Governmental Activities Fund Balance	\$3,394,397	June 30, 2020 Financial Statement	
Unrestricted Net Assets	\$661,281	June 30, 2020 Financial Statement	
Capital Assets	\$3,794,654	June 30, 2020 Financial Statement	
Net Position (Governmental Activities)	\$4,455,935	June 30, 2020 Financial Statement	
Debt & Unfunded Pension/OPEB Liabilities- Year Ending June 30, 2020 (Governmental Activities)			
Long Term Debt	\$107,884 – Compensated Absences only. No other long-term debt		
Unfunded Pension Liability	\$2,304,358		
Unfunded OPEB Liability	\$269,423		
Notes			
1) The water/wastewater portion of the MSR was reviewed in the 2019 Countywide Water/Wastewater MSR.			
2) “Governmental Activities” combine General Fund and Solid Waste Collection Fund.			

Figure 4-1- Boundary/SOI Map – Rubidoux CSD

Rubidoux Community Services District and Sphere of Influence



Data Sources: County of Riverside; Registrar of Voters, LAFCO

1 0.5 0 1 Miles



Legend

- Rubidoux Community Services District Boundary
- Rubidoux Community Services District Sphere of Influence (SOI)

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



Water & Sewer provided by District

Commission Reviewed & Amended SOI: May 28, 2020

Author: Crystal M. Craig

Map Created on 10/30/20

GROWTH AND POPULATION PROJECTIONS

RCSD currently services a population of approximately 35,000 over a geographical area of approximately 7.7 square miles. The District's service area has significant potential for growth, both for residential housing, and commercial industrial activities. Portions of the District are experiencing steady growth, while other areas are either primarily built out, or are experiencing slower growth activity. Significant residential and commercial and industrial growth is projected into the future within the District's service area. Proposed new planned future major developments include the Rio Vista, Emerald Meadows, Shadow Rock, Agua Manza Commerce Project, Rubidoux Commerce Park, Highpointe Development, and smaller infill projects within the District boundaries and future annexations.

ACCOUNTABILITY AND GOVERNANCE

RCSD is governed by a five-member Board of Directors, elected at large for four-year staggered terms. The Board meets at the District Office at 3590 Rubidoux Blvd, Jurupa Valley, CA on the first and third Thursday of each month at 4:00 PM.

The Board of Directors appoints a General Manager who is responsible for managing District operations on a day-to-day basis. The General Manager selects, appoints, and manages staff and consultants to carry out District programs and projects. The Board also appoints a legal counsel. Additionally, there are three Committees that meet to provide more specified leadership in certain areas. These Committees include the Solid Waste Committee, the Personnel Committee and the Finance and Budget Committee. The Board and designated staff maintain Form 700 disclosures and ethics training current.

RCSD Board of Directors	Term Expires
F. Forest Trowbridge	2022
Hank Trueba Jr.	2022
John Skerbelis	2024
Armando Muniz	2024
Bernard Murphy	2024

The District website is generally well organized and hosts a wide variety of information for public access. The District website includes information on current projects, a history of the District, a customer inquiries portal, annual budgets, capital improvement project information, governance updates, and the annual audits. The website also includes direct contact information for the Board of Directors and staff, and Board and Committee meeting agendas, including staff reports and accompanying documents, and meeting minutes. The District also provides current status of important events such as upcoming elections and infrastructure projects through "bill stuffers" as needed. As a matter of transparency, the District includes on its website compensation information for District employees with approved salary plan and the General Manager Employment Agreement.

Complaints and inquiries are received in several ways including email, phone calls, in person, direct mail and Board meetings. The District maintains four staff members during

business hours to address call in and email inquiries/complaints. The phone system allows for call ins to be accepted on a 24/7 basis during after hours. The vast majority of complaints are related to water and wastewater issues and are tracked annually by category. Virtually little complaints are received for the services reviewed in this MSR. Solid Waste services generate most of these complaints averaging 1-15 per day. Those complaints are forwarded to the waste haulers customer service representative to address. The District attempts to resolve all issues and concerns as quickly as possible with acknowledgement to customer no longer than 24 hours.

SERVICES – FACILITIES- INFRASTRUCTURE

Service Overview

RCSD currently provides fire protection, weed abatement, solid waste collection, and street lighting services within its jurisdictional boundaries in addition to water/wastewater (not subject to this MSR). The District is not providing any of the services being reviewed in this MSR outside its jurisdictional boundaries. There are some properties receiving water/wastewater services outside the jurisdictional boundaries within the City of Jurupa Valley.

The District contracts with the County of Riverside for fire protection and weed abatement services, and a local waste hauler for solid waste collection services discussed further below. The District also contracts for engineering services as needed, annual audit services, and legal counsel as needed. The District also is a party to an interagency agreement with JCSD for sale of water to JCSD when needed, and with the City of Riverside for wastewater treatment and disposal of RCSD wastewater. Overall District staffing is approximately 25 personnel.

Service needs are being met, with no major customer complaints, however a steady flow of daily minor complaints primarily related to solid waste services are prevalent. However, most of those complaints are for no trash pick-up and determined that the resident failed to place the trash receptacles out prior to the pick-up time. All complaints are followed up on and tracked until resolved. Operational efficiencies are optimized sufficiently based on the volume and relative nature of the complaints.

Fire Protection Services:

RCSD contracts with the Riverside County Fire Department (who contracts with CALFIRE) for fire protection and prevention services per year to staff and equip Station 38 located at the corner of Avalon and Mission Blvd in the City of Jurupa Valley. Funding provided by the District pays for 8.27 FTE at Station 38 and associated equipment. The District collects an increment of structural fire property tax and uses this funding to pay for fire services related expenses.

Essential services include fire protection and suppression, medical responses, accident response, hazardous waste spills, weed abatement and business inspection compliance with fire codes. The District reports that Station 38 averages approximately 250

responses to calls on a monthly basis. The District owns Station 38 and is responsible for all building maintenance costs and upgrades.

Weed Abatement Services:

The RCSD weed abatement program is managed by CALFIRE through the basic fire protection contract with the Riverside County Fire Department. Notices are sent annually to all property owners that have land (mostly vacant land) that is considered potential fire hazards due to weed accumulation and overgrowth. The notices provide for mandatory clearing of all non-compliant property within specified timeframes before enforcement action occurs. A fire marshal is assigned to oversee the program and ensure enforcement is performed on properties that are out of compliance.

Street Lighting Services:

RCSD manages approximately 900 SCE owned streetlights throughout the District. RCSD's responsibility is only for the energy costs for the streetlights. SCE owns and maintains the streetlights and responds to outages when reported. The District maintains a comprehensive listing and maps of all streetlights for reference purposes and management of the services.

The District funds the payment to SCE for energy for the streetlights through its Solid Waste Fund. The District allocates \$0.25/residential customer/month plus 10% of the revenue collected on commercial solid waste accounts. The District reports that the annual energy costs paid by the District to SCE for streetlights is approximately \$130,000.

Solid Waste Collection Services:

The District contracts with a private solid waste hauler, currently Burrtec Waste Industries, Inc. (Burrtec) for solid waste collection services. The District reports it maintains approximately 7,600 solid waste billing accounts. The contract with Burrtec commenced in January 2008 and has a four-year wind down with affirmative notice by either party. The contract extends to December 31, 2025 absent a notice prior to end of Calendar Year 2021. Rates paid by the Customers are based on Burrtec rate by class of customer (residential or commercial) and container size (60 or 90 gallon barrels), includes an annual CPI inflator of the base rate, and pass through tipping rates from the County of Riverside charged on actual tonnage collected for solid waste, green waste, and recyclables.

There are three trash pick-ups per week (all on the same day). One pick-up is a "Clean Green" Pick-up. Burrtec will pick up grass clippings, tree branches, leaves and other organic matter. Another pick-up is for regular household rubbish, and a third pick up is for all recyclable items. Disposal of unwanted large or bulky items is also available to residents. Large or bulky items include chairs, mattresses, washing machines, dryers, furniture, etc. This program allows residents to choose when they want a large or bulky

item collection up to two times during a 12-month period. Residents are allowed up to two collections every 12 months at no charge.

The District collects \$0.25/month per residential account plus 10% of the commercial account billings to cover administrative expenses associated with customer billings and customer service needs. The revenue the District receives also is used to pay SCE energy costs for streetlights. The current residential rate for collection is \$29.95 per month (90 gallon bin). Commercial rates vary depending on type of service requested.

Service Adequacy

RCSD is providing services at an adequate level, as noted by lack of major customer complaints, and no significant issues recently related to the services reviewed in the MSR. Minor complaints are followed up until resolution. Weed abatement services are well managed and efficient, and fire protection and emergency services are maintained at an adequate to superior level. The District has the capacity to provide adequate levels of service currently, and conducts limited long range planning for accommodating future growth and resultant service requirements for the services reviewed in this MSR.

Facilities/Infrastructure Needs

RCSD reports that current facilities and infrastructure are adequate to support current services and absorb future growth. The District reports no capacity issues for current infrastructure and foreseeable future development. However, as growth occurs throughout the District, and in particular potential growth outside the current SOI which most likely will include annexations into the District, additional fire protection infrastructure and facilities will most likely be required. There most likely will not be additional infrastructure or facilities requirements for streetlighting or solid waste services.

The District does not have a formal 5-Year Capital Improvement Program (CIP) for the services reviewed in this MSR, however, with the exception of future fire protection facilities, a formal plan is not necessary. With the projection of future growth within the District, and in areas outside the District that will require annexation, the need for one and possibility two new fire facilities is likely.

Capital improvements and capital outlay are considered during the budget process. The District does master planning for ultimate build-out demands for water and wastewater, and updates the master plans based on current City of Jurupa Valley land uses every 5 to 6 years. As new development goes through entitlements with the City of Jurupa Valley, the District evaluates the new developments needs and conditions the project to build master planned facilities, if necessary, or any other facilities needed to extend District facilities to the project. Response times for fire protection is at acceptable levels. It is anticipated additional fire protection funding and at least one new fire station with staffing will be necessary when the Rio Vista Development and other planned developments are constructed.

Cooperative Programs

RCSD participates in several regional cooperative forums to stay apprised of various regional plans and programs. Participation includes:

- The City of Jurupa Valley's bi-weekly Design Review Team meetings to provide input on new development activities within the City and more specifically within the service area of the District. Also, to comment on proposed City Ordinances and Planning documents.
- The quarterly Interagency Coordination Meeting sponsored by the City of Jurupa Valley. Many area entities participate in the meeting – City of Jurupa Valley, Chamber of Commerce, JARPD, JCSD, Riverside County Flood Control, Riverside County Board of Supervisor representatives, and local congress person representatives. This meeting provides the District with local and regional information.
- Participate in various Santa Ana Watershed Project Authority (SAWPA) task forces, such as the Basin Management Task Force. These keep the District aware of emerging contaminants and TDS issues impacting potable water treatment and sewage treatment and disposal.
- The quarterly meetings of the Western Municipal Water District Retail Managers meetings. At these meetings the District is apprised of Metropolitan Water District issues; import water supply conditions; rebate programs to promote water conservation; and various water education efforts/programs.

Although not subject to this MSR review, RCSD participates in an interagency agreement with JCSD to buy and sell potable water. Approximately 10 years ago the District and JCSD co-funded a physical potable water intertie between its two systems. The intertie allows potable water to move in either direction in various quantities. The District has no other contract services or supply agreements where the District is the provider of service to another entity. The District also contracts wastewater treatment and disposal services from the City of Riverside for wastewater collected within the District.

The District is not a member of any Joint Powers Authorities, however is a member of the California Special Districts Association.

FINANCIAL OVERVIEW

RCSD, for financial statement purposes, reports financial information utilizing several funds, the General Fund and Proprietary (enterprise type) Funds- Solid Waste Fund, Water Fund and Wastewater Fund. Street lighting, fire protection and weed abatement are carried in the General Fund. The Water and Wastewater Funds are not included in this financial overview and discussion unless specified for clarity. The District conducts an independent audit annually, the last three years reflecting an “unmodified” opinion,

and the District provides all reporting to the State Controller's Office as required by statutes. The past three years' audits did note that due to lack of staffing, segregation of duties regarding financial matters was a concern.

Overall, the financial position of the District is considered stable, with sufficient restricted and unrestricted fund balance and net assets available for short term potential revenue/expenditure deficits. The District has no debt service related to the services reviewed, and an adequate debt service to annual expenditure ratio for the Water Proprietary Fund. Overall, all funds are considered stable and self-sustaining for operational activities. The District has generally utilized a bi-annual budget which is reviewed periodically and adjusted as necessary. However, the District has reverted back to single year (annual) budgeting with the adopted FY 2021/22 budget.

The most significant sources of revenue for the General Fund are property taxes (primarily structural fire tax) for provision of fire protection and weed abatement services followed by transfers from the Proprietary Funds for cost allocation of administrative costs and streetlight services, licenses and permits, and interest earnings. Primary expenditures from the General Fund are for fire protection and weed abatement services, general administrative costs and streetlights.

The source of revenue for the Solid Waste Fund is from charges for services to the customers for costs for the contract with the solid waste hauler. Primary expenditures from this fund are for the solid waste hauler contract, operational costs and transfers to the General Fund for administrative cost allocations.

RCSD has no debt related to the General Fund nor the Solid Waste Fund (or the Wastewater Fund). RCSD maintains debt related to the Water Fund. The most recent bond ratings for the District in relation to the water debt is listed as AAA by Standard & Poors. RCSD does maintain a relatively small long-term liability for compensated absences, a relatively high, unfunded pension liability with CalPERS as compared to net assets and fund balances. The unfunded Other Post-Employment Benefits (OPEB) liability is very reasonable.

Table 4-2 following, provides a snapshot of key financial data from the last three fiscal years. An analysis of the data related to several key financial status and financial health indicators follows.

NOTE That the financial information posted does not include the Water and Wastewater Proprietary Funds as they were already analyzed in the previous Countywide Water/Wastewater MSR/SOI update in 2019/2020.

Table 4-2- Financial Information- RCSD (Source- Audited Financial Statements)

Financial Information- (Actuals) (Excludes Water/Wastewater Proprietary Funds)			
	FY 19/20	FY 18/19	FY 17/18
General Fund Revenues/Transfers	\$4,506,728	\$4,515,679	\$4,400,171
General Fund Expenditures/Transfers	\$4,260,942	\$4,774,812	\$4,305,383
General Fund Surplus/(Deficit)	\$245,786	(\$259,133)	\$94,788
Solid Waste Fund Revenues/Transfers	\$3,831,278	\$3,465,430	\$3,301,546
Solid Waste Expenditures/Transfers	\$3,737,895	\$3,386,597	\$3,124,419
Solid Waste Surplus/(Deficit)	\$93,383	\$78,833	\$177,127
Combined General Fund/Solid Waste Fund Surplus/(Deficit)	\$339,169	(\$180,300)	\$271,915
Capital Expenditures (Combined)	\$0	\$0	\$0
Fund Balance (Combined)	\$3,394,397	\$3,093,352	\$3,273,652
Debt Service Expenditures (Combined)	\$0	\$0	\$0
Long Term Liabilities (Combined) *	\$107,884	\$183,940	\$395,590
Unrestricted Net Assets (Net Position)	\$661,281	(\$808,064)	(\$501,517)
Restricted Net Assets (Net Position) (excludes Capital)	\$0	\$0	\$0
Capital Assets (Combined) (Net of Depreciation)	\$3, 794,654	\$3,940,263	\$4,021,104
Unfunded Pension Liability (CalPERS) **	\$2,304,358	\$2,109,073	\$2,130,385
Unfunded OPEB Liability **	\$269,423	\$240,881	Not Reported
Net Position (Combined)	\$4,455,935	\$4,513,080	\$4,869,480
* Does not included pension or OPEB unfunded liability			
** Excludes Water/Wastewater pro-rated liabilities			

There are nine primary areas of criteria that LAFCO utilizes for assessing the present and future financial condition of any Special District's ability to provide efficient service 408573operations as discussed below:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Net Position
6. Pension and OPEB Unfunded Liabilities
7. Capital Assets and Capital Improvement Plan
8. Fee Structure for Services Provided
9. Cost Avoidance Programs

3 Year Revenue/Expenditure Budget Trends

A trend analysis of revenues and expenditures provides a relatively quick snapshot of

financial stability, and financial management of budgetary ebbs and flows over a short period of time. Although annual budgetary decisions drive fluctuations in revenues and expenditures in any given year, sustaining a balanced or surplus trend is desirable.

The RCSD General Fund revenue trend has been stable for the last 3 years, with expenditures also remaining relatively stable with one year reflecting minor deficit spending. The Solid Waste Fund has been experiencing positive annual growth in revenues, with resultant growth in expenditures. This trend is reflective of the new development activity within the District.

Overall, for both Funds, the trend reflects revenues generally exceeding overall expenditures, a positive reflection of future financial stability.

Revenue and expenditure trends can be expected to be increasing annually with the advent of the current and future new development within the District. The ability for the District to raise additional revenue is limited to the fact that the significant portion of revenue increases for both the General Fund and the Solid Waste Fund are highly dependent on development growth within the District. The District does have a relatively significant combined fund balance available for the two funds, however, when viewed with the District's unfunded pension and OPEB liabilities and recognizing that a reasonable reserve for unanticipated major expenditures could arise, any sustained drawdown of that fund balance is considered limited.

Ratios of Revenue Sources

Diversity of revenues is an indicator of any public agency's ability to withstand a major loss in one revenue stream without a significant impact to operations and services. Ideally, an agency should have 3-4 revenue streams that are as equally balanced as possible, however, that isn't always possible in some agencies.

RCSD receives approximately 71% of its funding for the General Fund from property taxes. Approximately 27% of revenue comes from cost allocation funding from the three Proprietary Funds. The remaining 6% comes from licenses and permit fees, miscellaneous revenue and interest earnings. For the Solid Waste Fund, the District receives 100% of its funding from charges for services.

Since the District's revenue stream is not very diversified to any extent, alternative sources of revenue would be ideal for absorbing a significant decrease in the one revenue source that is heavily reliant on for service provision. However, alternative recurring revenue sources are not readily available to the District to allow for further diversification.

Property taxes are a relatively stable revenue stream, even in economic downturns, and charges for services can readily be adjusted to meet expenditure requirements. Thus, it can be concluded that the overall revenue status of RCSD can be considered sustainable over the foreseeable future and beyond.

Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. A ratio of 30% or greater of fund balance/reserve to annual expenditures is generally considered an adequate ratio to maintain.

The General Fund and Solid Waste Fund maintain fund balances with ratios to expenditures of 68% and 13% respectively. The combined General Fund and Solid Waste Fund was approximately 42% as of June 30, 2020. The General Fund ratio reflects a good fund balance to expenditure ratio, while the Solid Waste Fund is below the desired level, however, not unreasonable due to the nature of the service provided. Additionally, due to the nature of a significant portion of the General fund is cost allocation transfers from the three proprietary funds that derive their revenue from charges for services, a revenue source that can be adjusted as needed to meet expenditure and reserve/fund balance objectives.

It should be noted that although these ratios are considered adequate or better, unfunded pension and OPEB liabilities, coupled with a lack of diversity in revenue sources, may in time require utilization of a portion of these fund balances to maintain services at present levels.

Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10% or less would reflect a very stable ratio.

The District has no debt associated with the services reviewed in this MSR, therefore no ratio to assess, which in turn is a positive aspect to overall financial stability. As noted previously, the District does have unfunded pension and OPEB liability requirements which are discussed further on in this report.

Net Position

An agency's "Net Position" as reported in its audited financial statements represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other long-term liabilities). A positive Net Position generally provides an indicator of financial soundness over the long-term. However, Net Position also includes the value of capital assets that may or may not be easily liquidated. Therefore, Net Position could potentially be skewed when viewing it in the aspect of liquidity.

The FY 19/20 ending net position for the District was \$4,455,935 for the combined General Fund and Solid Waste Fund. As compared to annual revenues and expenditures,

this is a significant amount of net position, with approximately 85% of net position related to capital assets. This positive net position is an indicator of stability with the District's ongoing service activities.

It is noted that the annual net position over the three fiscal years noted does decline. This is generally due to depreciation of capital assets. However, in none of those years is the net position considered less than significant which would trigger a concern.

Pension and OPEB Unfunded Liabilities

Unfunded pension and OPEB liabilities present one of the most serious fiscal challenges facing many public agencies in California today. When reporting required under GASB Statement #68 was implemented, many public agencies were awakened by the reality of the long-term unfunded liability aspect of their respective pension and OPEB obligations.

RCSD employees' retirement pensions are covered under the CalPERS pension system, with two Miscellaneous Plans and one Safety Plan. For purposes of the financial statements, the net pension liability is pro-rated between the Proprietary Fund employees, and the General Fund employees.

According to the most recent audit report ending June 30, 2020, the CalPERS actuarial report for the measurement period ending June 30, 2019, lists the total current CalPERS Unfunded Pension Liability at \$4,902,890. The pro-rated portion for the General Fund is \$2,304,358. There are no pension related unfunded liabilities for the Solid Waste Fund.

RCSD also provides a defined benefit of up to \$196 per month for retirees for healthcare through a single-employer Retiree Healthcare Plan. The OPEB unfunded liability as of June 30, 2020 is calculated at \$573,243 based on the measurement period ending June 30, 2019. As with the pension unfunded liability, the financial statements separate the pro-rated portion for General Fund and Proprietary Fund employees. The pro-rated portion of the OPEB unfunded liability for the General Fund is \$269,423. There are no OPEB related unfunded liabilities for the Solid Waste Fund.

Capital Assets and Capital Improvement Program

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technological changes. Depreciation typically spreads the useful life of a capital asset over time to calculate an annual asset valuation for accounting purposes. The actual timing and amount of annual capital investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable capital expenditures.

The District's capital assets (excluding the Water and Wastewater Funds assets) include land (which is non-depreciable) and buildings and improvements, as well as furniture and equipment (which all depreciate). The District does not maintain a specific five-year

capital improvement plan for facilities not related to the water/wastewater funds, however does address capital requirements during the budget process. As of June 30, 2020 the District reported \$5,697,493 in capital assets and \$1,757,230 in accumulated depreciation resulting in \$3,940,263 net capital assets for the General Fund. The Solid Waste Fund has no capital assets.

One item the District should address is the potential requirement for one or two more fire stations with staffing to support the current ongoing and planned development within the District. Although the City of Jurupa Valley is responsible for addressing these types of facilities when adjudicating development entitlements, the structure of the District providing fire protection and weed abatement services within their boundaries, would necessitate the District taking responsibility for providing those services. The District should be working very closely with the city and Riverside County Fire to ensure that the facilities and staffing are addressed including provision of sufficient capital and ongoing revenues for providing those facilities and services.

Fee Structure for Services Provided

Most public agencies charge fees for various services that provide a direct benefit to the recipient of the specific service. RCSD charges fees for solid waste collection services to cover the costs associated with the contracted services. Fees are charges at a current flat rate of \$29.95 monthly for regular residential service, and variable rates for commercial bin services. No other fees related to the services reviewed in this MSR are identified other than permit and license fees which provide minimal revenue.

Cost Avoidance Programs

RCSD implements cost avoidance measures wherever possible as a matter of routine management. RCSD also performs a periodic, mid-year and annual budget reviews as part of their management of the budgeting process. The District has identified several areas of focus they have engaged in for cost savings and efficiency gains throughout all operations of the District. The following efforts have or are underway:

- Review SCE rate tariffs to avoid on-peak pumping costs.
- Changing accounting procedures to develop unit costs for water production and treatment by well.
- Developing an Operational Production strategy to understand sequencing of well production capacity by analyzing variables such as: demand variability due to seasonal weather changes, electrical costs, and treatment costs.
- Implemented new phone system technology to allow customers to pay absent help of customer service representatives.
- Retirement of long-term, higher cost staff and replacement with lower cost, but qualified staff.
- Fleet replacement program to minimize maintenance expense.
- Minimal investment in District Administrative and Field Facilities to avoid large increases in operating expense.

- Retained leadership coach to mentor District Leadership Team. Goal is to enhance an already good work culture/ethic.
- Working to lock in service contracts for Trash and Fire services for longer terms to create cost certainty.
- Developing 5-year strategic plan for Board of Directors to adopt. Goal is to have the strategic plan in place by Spring 2022.

DISADVANTAGED UNINCORPORATED COMMUNITIES

Riverside LAFCO has determined that there are no DUC's within or contiguous to RCSD's sphere of influence, therefore no additional analysis is required for RCSD in this report.

STATUS OF ISSUES IDENTIFIED IN MOST RECENT MSR

RCSD was included in the 2019 MSR for Countywide Water/Wastewater services. The last MSR for RCSD for other services was performed in 2005. There were no service or financial issues identified in the previous MSR.

GOVERNMENT STRUCTURE ALTERNATIVES

There is only one government structure alternative that is considered applicable to RCSD at this time. However, as noted below, with the incorporation of the City of Jurupa Valley, two services should be considered for future divestiture to the City from an efficiency and governance standpoint- Fire Protection and Solid Waste Collection.

Maintain the status quo.

RCSD's government structure currently in place is more than sufficient to provide the appropriate governance structure for the District. The District maintains an adequate staff, is efficient in delivery of services and appears to be diligent in not overextending. Therefore, the District's current governmental structure should be maintained.

Divestiture of Fire Protection and Solid Waste Collection Services to the City of Jurupa Valley.

The District does not believe that there are any opportunities for realignment of services with any adjacent agency. However, having two separate governmental agencies providing the same service within the City boundaries is clearly a candidate for consolidation.

Future transfer of these services to the City of Jurupa Valley for the purpose of consolidating services should be given consideration as a long-term efficiency of service and governance standpoint. Transfer of these services would require a complicated and mutually agreeable divestiture process for transferring the services, subject to LAFCO authorization.

RECOMMENDED MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the information, issues, and analysis presented in this report, proposed MSR determinations pursuant to Government Code section 56430 are presented below for the LAFCO Commission's consideration:

1) *Growth and Population Projections*

- RCSD currently services a population of approximately 35,000 over a geographical area of approximately 7.7 square miles. The District's service area has significant potential for growth, both for residential housing, and commercial industrial activities. Portions of the District are experiencing steady growth, while other areas are either primarily built out, or experiencing slower growth activity.
- Significant residential and commercial and industrial growth is projected into the future within the District's service area. Proposed new planned future major developments include the Rio Vista, Emerald Meadows, Shadow Rock, Agua Manza Commerce Project, Rubidoux Commerce Park, Highpointe Development, and smaller infill projects within the District boundaries and future annexations.

2) *Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the CSD's SOI.*

- There are no Disadvantaged Unincorporated Communities within or contiguous to RCSD's SOI.

3) *Present and Planned Capacity of Public Facilities and Adequacy of Public Services Including Infrastructure Needs and Deficiencies Related to Disadvantaged Unincorporated Communities.*

- RCSD's current facilities and infrastructure are adequate to support current services. There are no capacity issues for current services and infrastructure.
- Long term services with regard to fire protection services could be a concern due to the anticipated residential and commercial/industrial growth proposed for the future. Specifically one or two additional fire stations with appropriate equipment and staffing will be necessary to support this proposed future development. Close coordination with the City of Jurupa Valley for ensuring adequate fire protection services are maintained as a result of development growth is necessary and is ongoing. The District has recognized the aspects of future fire facility requirements and is confident the future structural fire tax revenues will be sufficient to accommodate future facility and service requirements.
- There are no deficiencies related to DUCs as there are no contiguous DUCs.

4) *Financial Ability of the CSD to Provide Services.*

- RCSD has the financial ability to provide services. The District generally operates with an operational surplus for the services reviewed in the MSR, has sufficient fund balance available to meet infrastructure and other contingency needs, and has no long-term debt associated with the services reviewed other than unfunded pension and OPEB liabilities.
- Given the stability of the District's existing revenue sources, and the District's conservative budgeting practices, it appears that RCSD has a low risk for financial distress.
- The District should implement a strategy for buydown (reducing) the pension and OPEB unfunded liabilities as they will likely grow in the future.

5) *Status of, Opportunities for Shared Facilities.*

- Due to the nature of the services provided, RCSD does have any shared services or facilities opportunities available to it.

6) *Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies.*

- RCSD is governed by a five-member Board of Directors, elected at large. The Board of Directors meets twice per month. The website includes direct contact information for the Board of Directors and staff.
- The District also has three Committees that meet to provide more specified leadership in certain District functions.
- The Board of Directors appoints a General Manager who is responsible for managing District operations on a day-to-day basis. The General Manager selects, appoints, and manages staff and consultants to carry out District programs and projects.
- Overall District staffing is approximately 24 personnel, however fire protection, weed abatement and solid waste services are provided through contracts with other entities which provides staffing for those services.
- The District provides public information on its website, including information on current projects, a history of the District, bi-annual budgets, capital improvement project information, the annual audits, Board meeting agendas, including staff reports and accompanying documents, and meeting minutes.

- Service needs are being met, with no major customer complaints. The vast majority of complaints are related to water and wastewater issues and are tracked annually by category. Virtually little complaints are received for the services reviewed in this MSR. Solid Waste services generate most of these complaints averaging 1-15 per day. Those complaints are forwarded to the waste haulers customer service representative to address. The District attempts to resolve all issues and concerns as quickly as possible with acknowledgement to customer no longer than 24 hours.
- No alternative government structure options are considered superior to the current structure at this time.

7) *Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.*

- The District does not believe that there are any opportunities for realignment of services with any adjacent agency. However, having two separate governmental agencies providing the same service within city boundaries, in this case, fire protection/weed abatement and solid waste collection services, are clearly candidates for consolidation. Future transfer of these services to the City of Jurupa Valley for the purpose of consolidating services should be given consideration as a long-term efficiency of service and governance standpoint.
- The city has three fire stations and staffing under contract with Riverside County Fire for all of the city with the exception of the RCSD jurisdiction which has one fire station and staffing under a separate contract with Riverside County Fire. Since the city jurisdiction overlaps and encompasses all of the District boundaries, consolidating this service with the city, which generally is considered the preferred provider of this service in their boundaries, should be considered.
- Solid waste collection services is also a candidate for consolidation. The city and the District have separate agreements with the same solid waste hauler (Burrtec). The Burrtec agreement with the city is due to expand soon to include all of the city (some of which is currently serviced by another provider). As with fire services, it is logical to consider consolidation of this service under the city. The District does acknowledge that future consolidation of these services has merit.
- Transfer of these services would require a complicated and mutually agreeable divestiture process for transferring the services, subject to LAFCO authorization.

RECOMMENDED SPHERE OF INFLUENCE DETERMINATIONS

Existing Sphere of Influence

RCSD's existing sphere of influence extends beyond the District's jurisdictional boundaries. The areas of the extended SOI are primarily in the Agua Mansa area in the northern corner of the District, with some parcel areas in San Bernardino County, and scattered areas south of Hwy 60. All these areas are within the City of Jurupa Valley, with the exception of those in San Bernardino County.

Sphere of Influence Analysis

One of LAFCO's objectives is to eliminate illogical boundaries and associated service inefficiencies, where these issues exist. In 2020, the Commission revised the District's current SOI as part of the Water/Wastewater MSR process. Based on the geographic and jurisdictional boundaries that currently exist, and the current SOI established in 2020, an SOI expansion is not recommended at this time.

Sphere of Influence Options

Only one option is identified with respect to RCSD's SOI.

Option #1: Maintain the current SOI.

The current SOI for RCSD was established in 2020 as a result of the Countywide Water/Wastewater MSR/SOI Update process. This current SOI remains the logical SOI for the remaining services reviewed in this MSR.

Sphere of Influence Determinations

Following are the five recommended determinations for the LAFCO Commission's consideration as required by Government Code section 56425(e):

- 1) *The present and planned land uses in the area, including agricultural and open-space lands***
 - RCSD is not authorized land use planning authority. The City of Jurupa Valley is responsible for land use planning.
 - Current land use planning and zoning by the City of Jurupa Valley takes into consideration the relevant aspects of managed development.
 - It is likely future land use decisions by the City of Jurupa Valley could potentially impact maintaining the rural nature of portions of the RCSD service area.

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

- Current facilities and services are adequate to support the service area.
- Long term, there most likely will be a need for expansion of some infrastructure and services for fire protection services.
- Expansion of services will require sufficient revenues to support the cost of any service expansion.

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

- Sufficient capacity and facilities exist to support providing adequate public services authorized and being provided.
- Long term services with regard to fire protection services could be a concern due to the anticipated residential and commercial/industrial growth proposed for the future. Specifically one or two additional fire stations with appropriate equipment and staffing will be necessary to support this proposed future development

4) *The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.*

- The Rubidoux, Belltown and Sunny Slope communities within the City of Jurupa Valley and the RCSD boundaries can be considered specific communities of interest within the RCSD jurisdictional boundaries related to all services provided. Service provision by RCSD is considered adequately provided for these communities.

5) *For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.*

- There are no Disadvantaged Unincorporated Communities within or adjacent to the existing SOL.

Chapter 5- Southern Coachella Valley CSD

OVERVIEW / BACKGROUND

The Southern Coachella Valley Community Services District (SCVCSD or District) was formed in 1986, for the purpose of providing supplemental police protection services to this specific geographical area. It began operation under the provisions of the Community Services District Act (Government Code section 61000 et. seq.). In 1989 the District expanded its powers to include solid waste services. The District is comprised of 139 square miles of unincorporated area in the southern Coachella Valley east of La Quinta and south of Indio and Coachella and includes the communities of Mecca, Thermal, Oasis, and Vista Santa Rosa. The area is primarily rural agricultural and open space. SCVCSD's jurisdictional boundaries overlap with portions of the cities of La Quinta and Coachella.

When established SCVCSD was authorized to provide Supplemental Law Enforcement Services. for the purpose of providing supplemental law enforcement protection services to this specific geographical area. In 1989 the District was authorized to expand its powers to include solid waste services. These services were affirmed by LAFCO on January 25, 2007 per the requirements of SB 135, chaptered into law in 2005. SCVCSD has not indicated any plans for expanding services additional to the current services provided. Available latent powers that the District is authorized under Community Service District statutes that the District may desire to provide would require a public hearing and formal authorization from the LAFCO Commission.

SCVCSD does not provide any services outside of its service boundary. SCVCSD's sphere of influence is coterminous with its current service boundary.

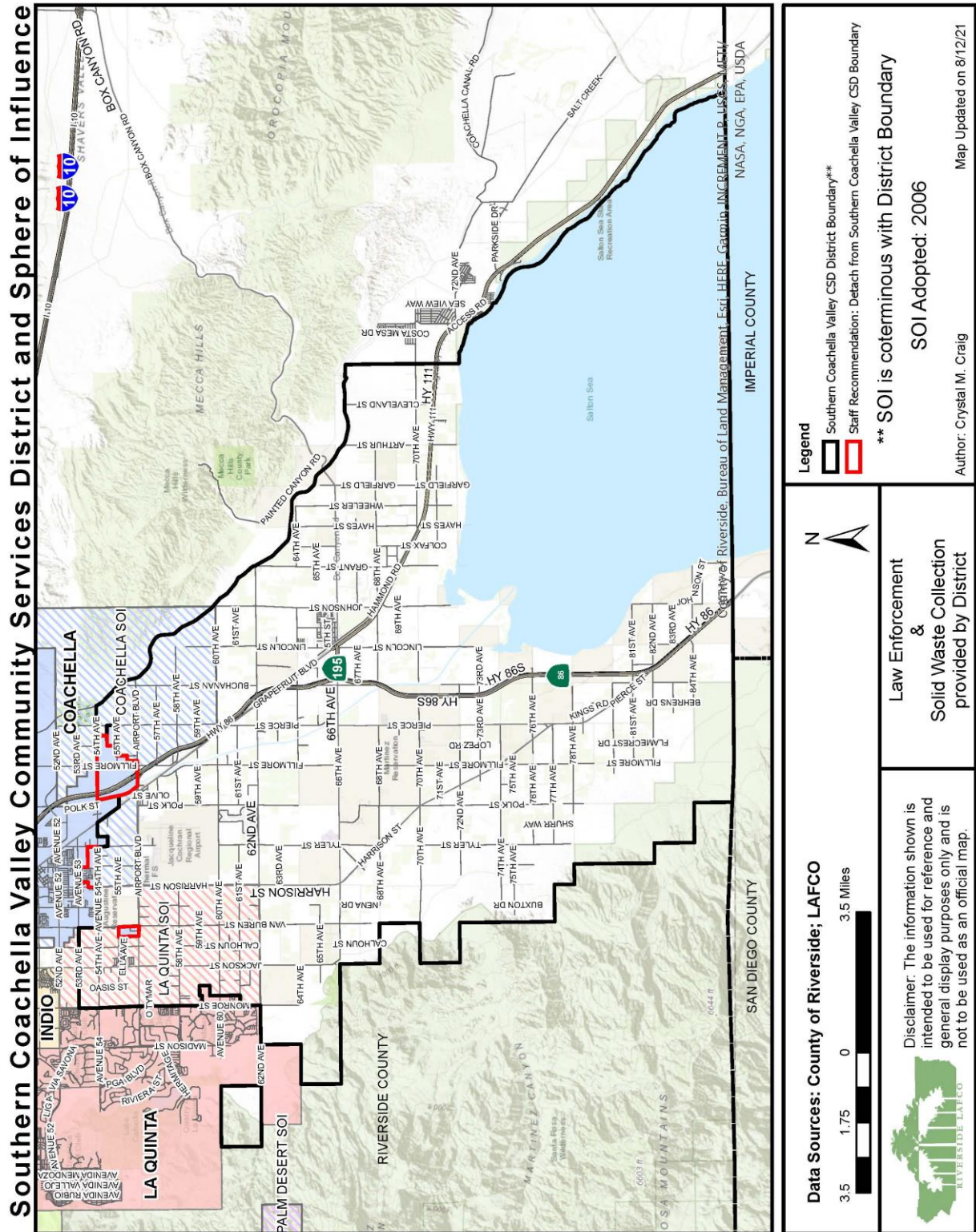
Table 5-1 on Page 91 provides a snapshot profile of SCVCSD.

A map of the District's current boundary and SOI is shown in **Figure 5-1** on Page 92.

Table 5-1- Profile – Southern Coachella Valley CSD

General Information			
Agency Type	Municipal- Community Services District		
Principal Act	Section 61000 et. Seq. of the California Government Code		
Date Formed	1986		
Services Provided	Supplemental Police Protection and Solid Waste Services		
Location	Eastern Coachella Valley, covering the unincorporated communities of Mecca, Thermal, Oasis and Vista Santa Rosa. Office Location: 91-260 Avenue 66, Suite 116, Mecca, CA 92254, (760) 396-1014 (mail address- P.O. Box 302, Thermal, CA 92274)		
Sq. Miles/Acres	139 Sq. Miles		
Contact	Ben Crowson, Crowson Management Services (760) 396-1014 scvcsd@verizon.net		
Website	www.scvcsd.org		
Population Served	Approximately 11,000 (Note- this population fluctuates seasonally with migrant farm workers when engaged in farming operations)		
Last SOI Update	2006		
Governance/Staffing			
Governing Body	5 Board Members elected District wide		
Terms	4 years, staggered terms		
Meeting Information	3 rd Thursday of every other Month at 7:30 pm at the Mecca Community Room, 91-260 Avenue 66, Mecca, CA 92254		
Total Staff	No Employees – Management and administrative staffing are contracted		
Staff Categories	General Manager, Admin Asst		
Facilities/Other Infrastructure			
Facilities	None. (District office is leased)		
Other Infrastructure	None		
Financial Information- FY 19/20 Actuals (Audited Financial Statements)			
	Revenues	Expenditures	Net Surplus/(Deficit)
General Fund	\$572,284	\$821,197	(\$248,913)
Solid Waste Fund	\$221,232	\$50,200	\$171,032
Combined Funds	\$793,516	\$871,397	(\$77,881)
	FY 19/20	Long Term Planned Expenditures	
Capital Expenditures	\$0	None.	
General Fund Balance	(\$744,781)	June 30, 2020 Financial Statement	
Solid Waste Fund Balance	\$1,050,279	June 30, 2020 Financial Statement	
Unrestricted Net Assets	\$305,498	June 30, 2020 Financial Statement	
Capital Assets	\$0	June 30, 2020 Financial Statement	
Net Position (Combined)	\$305,498	June 30, 2020 Financial Statement	
Debt & Unfunded Pension/OPEB Liabilities- Year Ending June 30, 2020			
Long Term Debt	SCVCSD has no long-term bond or secured debt		
Unfunded Pension Liability	SCVCSD has no unfunded pension liability.		
Unfunded OPEB Liability	SCVCSD has no unfunded OPEB liability		
Notes			

Figure 5-2- Boundary/SOI Map – Southern Coachella Valley CSD



GROWTH AND POPULATION PROJECTIONS

SCVCSD currently serves an estimated population of approximately 11,000 (fluctuates when migrant farm workers are engaged in farming operations) over a geographical area of approximately 139 square miles. The District's service area has good potential for growth with current growth occurring mainly in the urbanized areas of Thermal and Mecca. The District is primarily rural in nature, with development subject to the County of Riverside land use and zoning. Future growth for residential and commercial development will be driven primarily by the nature of the post Covid-19 economic recovery within the region.

ACCOUNTABILITY AND GOVERNANCE

SCVCSD is governed by a five-member Board of Directors, elected at large to four-year staggered terms. The SCVCSD Board meets the 3rd Thursday of every other month at 7:30 p.m. at the District Office, located at the Mecca Community Room, 91-260 Avenue 66, Mecca, CA 92254. The District's Board of Directors consists of a President and Vice President and three Directors. None of the Board members receive compensation nor benefits. There are no current vacancies on the Board. The Board and designated staff maintain Form 700 disclosures and ethics training current.

SCVSD Board of Directors	Term Expires
Rebecca Broughton	2021
Ann Wells	2021
Frank Figueroa	2021
Eugene Kitagawa	2023
Maria G. Machuca	2023

In general, the District website is adequate for providing basic information to the public. However, the website is lacking in including some information such as no access to past meeting agendas with no link to archived items except minutes, written staff reports and backup information relative to agenda items is not provided with the agenda, the current annual budget is not posted and no historical budget information is available other than the previous year's budget information and there are no direct email addresses to contact Board members for direct access. Annual audits are located in two places on the website, however, the most recent audit is located on one page but not the other. The District should consider correcting/adding these features to its website.

In addition to information on the District website, the District reports sending out fliers via United State Postal Service in the past to encourage voter participation, and regularly attends local community council meetings and encourages District participation in public meetings.

The District reports that during the annual audit and annual budget process, the Board of Directors conducts financial and services reviews to determine fiscal responsibility and services required. The Board has established long term fiscal plans by analyzing past

and future cost effectiveness, and endeavors to implement those plans. The Board of Directors performs routine contract agency performance reviews.

The District receives complaints either directly at the District office in person or by mail, and through email and social media. Any complaint that cannot be resolved by management is forwarded to the Board of Directors to resolve and in any event, all complaints received are provided to the Board of Directors for their review and information.

SERVICES – FACILITIES- INFRASTRUCTURE

Service Overview

SCVCSD currently provides Supplemental Law Enforcement and Solid Waste Collection services to District residents and businesses. Additionally, the District sponsors and coordinates several community programs held periodically. The District contracts with the Riverside County Sheriff Department for Supplemental Law Enforcement and a private solid waste collection company, currently Burrtec Waste Industries, Inc., for solid waste collection services. Additionally, the District contracts for District management services, accounting services, annual audit services and legal counsel as needed. The District does not provide contract services to other agencies.

The District law enforcement team currently has one sergeant, and two deputies. This District "Team" operates full time within the District boundaries addressing specific crimes and problems. Such crimes as illegal narcotics, car thefts, agricultural thefts, and forgery are a few of the special operations investigated by the Team.

The refuse collection division of the District conducts regular commercial/residential waste collection, special community clean-up programs, roadside waste removal, and monthly free waste disposal opportunities. In conjunction with the law enforcement team, an apprehension program for illegal dumpers is a priority of the District.

The District was providing graffiti abatement services, however, due to financial constraints, this service has been temporarily curtailed.

Facilities/Infrastructure

SCVCSD leases its office space in Mecca and has no other facilities either owned or has responsibility for maintenance. The services provided through contracts with the service providers does not require SCVCSD to have facilities to support those services.

Service Adequacy

SCVCSD is generally providing services as adequately as possible given the limited revenues available specifically for supplemental law enforcement. However, the actual level of service falls well short of desired levels. The District has noted that due to increasing cost of services provided by the District's contracted law enforcement provider,

the District has scaled down its services provided. Additionally, due to cost increases of law enforcement services more rural areas can be limited in services provided. The District believes that with future growth, the District would be able to increase its services provided, however, with any future growth, more rural areas and areas further from the central part of the District area may be more difficult to serve.

Facilities/Infrastructure Needs

Due to the nature of the limited services provided, there are no relevant facilities or infrastructure needs at this time. There are no known requirements for any infrastructure such as new District buildings foreseen. As such, the District has no need or requirement for a long-term Capital Improvement Program.

Cooperative Programs

SCVCSD participates in cooperative programs and other cooperative endeavors with their current service providers for providing community programs related to public safety and community cleanup and educational activities such as “Cadet Camp” and the “Trashbusters” program. Cadet Camp is an informative camp for kids to meet with law enforcement personnel of various disciplines to learn nutrition, physical fitness, leadership, team building, self respect, and developing confidence. Trashbusters is an organized District wide community cleanup held periodically which includes volunteers and students performing roadside cleanup, school beautification programs, and bulky items disposal bins. SCVCSD is not a member of any Joint Powers Authority other than the Special District Risk Management Authority.

FINANCIAL OVERVIEW

SCVCSD carries all operational budgeting and accounting in two funds, the General Fund and the Rubbish Fund (Solid Waste Fund). The General Fund carries all administrative and operational expenditures. The Solid Waste Fund carries expenditures related to solid waste collection services expenditures and supplemental funding to the General Fund.

Property Special Assessments comprise the basic source of revenue for the District’s General Fund, while Franchise Fees comprise the revenue source for the Solid Waste Fund. However, the revenues for the General Fund are significantly less than annual expenditures which has forced the District to borrow from the Solid Waste Fund and reduce service levels for supplemental law enforcement and graffiti removal. The Special Assessment Fees are assessed to each parcel within the District and included on the annual property tax statements for collection and allocation by the County Treasurer-Tax Collector. Franchise Fees are paid the District by the contracted solid waste collection provider as part of the contract for performing the service in the District. Those fees are included in the customer billings. SCVCSD has no debt, no unfunded pension or OPEB liabilities, and no other long-term liabilities.

The District conducts an independent audit annually, the last three years reflecting an “unmodified” opinion, however, the auditors have expressed concerns regarding the District’s financial status as noted further below. The District provides all required reporting to the State Controller’s Office as required by statutes.

Overall, the financial position of the District is considered in jeopardy due to the lack of General Funds available to support expenditures, primarily for supplemental law enforcement. The General Fund is experiencing annual deficits and currently carries a negative fund balance, which has been increasing each of the last three fiscal years, and as of June 30, 2020 was a negative \$744,781.

Reliance on transfers from the Solid Waste Fund through loans (current outstanding balance of approximately \$654,758 as of June 30, 2020), with no current plan for repayment, nor acquiring other supplemental revenue has also raised concerns by the auditors in the last three completed audits which specifically recognized this situation, and has expressed reservations of future viability- “These conditions raise substantial doubt about its ability to continue as a going concern” (*from the SCVCSD Annual Audit Reports for Years Ending June 30, 2018, 2019 and 2020*).

The District reports that it has implemented a “Financial Plan of Action overseen by the Board of Directors. This financial plan of action was instituted to increase the level of services provided by increasing the revenue stream received. This plan of action includes, but is not limited to, annexation of non-district land, an increase of assessments levied on residents within the District, and an internal audit/analysis of current revenue received to determine its efficiency.

Additionally, the audit opinions have also noted that the District fails to provide a “Management’s Discussion and Analysis” with the annual audit which is required by the Governmental Accounting Standards Board.

As a result of this in balance of revenues, reductions in service levels for law enforcement and other services, the financial situation for the District drew the attention of the Riverside County Grand Jury in 2020 which investigated the District’s financial situation and issued a report with several findings and recommendations.

Grand Jury Report & SCVCSD Response

The Riverside County Civil Grand Jury conducted a review and investigation into the financial issues related to SCVCSD during the 2019/2020 session. The Grand Jury issued its report in 2020 which focused on the General Fund deficit spending, the reduction in supplemental law enforcement services, and the utilization of funds from the Solid Waste Fund to supplement the General Fund expenditures. Specifically, the Grand Jury questioned the legality of utilizing the Solid Waste Fund Franchise Fee revenues as related to Proposition 218 requirements and as related to Article XIID Section 6, 2b2 of the California Constitution. The Grand Jury also noted their concurrence with the annual auditor’s concerns regarding the viability of SCVCSD remaining a viable agency noting

the “going concern” statements in the three previous audit reports. The Grand Jury provided several findings and recommendations in the report to be addressed by SCVCSD, the County and LAFCO.

SCVCSD provided responses to the findings and recommendations by the Grand Jury and generally concurred that the financial situation with the General Fund was an issue that needed to be addressed, acknowledged the challenges the District faces, and has faced, in addressing the revenue shortfalls, and provided a general plan for continuing their efforts to address this situation. The District, in their response, objected to the interpretation related to the Solid Waste Fund usage and the related Prop 218 issue, and provided the District’s interpretation of contractual and legal justification for utilizing the funds in the manner in which the District does currently. The District has acknowledged in their response that they are actively looking into, and working toward, a plan to increase revenues for the General Fund.

Table 5-2 following, provides a snapshot of key financial data from the last three fiscal years. An analysis of the data related to several key financial status and financial health indicators follows.

Table 5-2- Financial Information- Southern Coachella Valley CSD

Financial Information			
	FY 19/20	FY 18/19	FY 17/18
General Fund Revenues/Transfers	\$572,284	\$586,814	\$572,070
General Fund Expenditures/Transfers	\$821,197	\$784,793	\$770,649
General Fund Surplus/(Deficit)	(\$248,913)	(\$197,979)	(\$198,579)
Solid Waste Fund Revenues/Transfers	\$221,232	\$231,786	\$177,016
Solid Waste Fund Expenditures/Transfers	\$50,200	\$50,520	\$49,488
Solid Waste Fund Surplus/(Deficit)	\$171,032	\$181,266	\$127,528
Capital Expenditures	\$0	\$0	\$0
Debt Service Expenditures	N/A	N/A	N/A
Long Term Liabilities	N/A	N/A	N/A
Unrestricted Net Assets (Reserve)	\$305,498	\$383,379	\$400,092
Restricted Net Assets (Reserve) (excl Capital)	\$0	\$0	\$0
Capital Assets (Net of Depreciation)	\$0	\$239	\$1,060
Unfunded Pension Liability	N/A	N/A	N/A
Unfunded OPEB Liability	N/A	N/A	N/A
Net Position	\$305,498	\$383,618	\$401,152

There are nine primary areas of criteria that have been utilized for this report to assess the present and future financial condition of the CSD’s ability to provide efficient service operations as discussed below:

1. 3-Year Revenue/Expenditure Budget Trends

2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Net Position
6. Pension and OPEB Unfunded Liabilities
7. Capital Assets and Capital Improvement Plan
8. Fee Structure for Services Provided
9. Cost Avoidance Programs

3 Year Revenue/Expenditure Budget Trends

A trend analysis of revenues and expenditures provides a relatively quick snapshot of financial stability, and financial management of budgetary ebbs and flows over a short period of time.

For SCVCSD, the General Fund revenue trend has been generally static, and significantly less than expenditures. The expenditure trend has demonstrated increasing expenditures annually over the last three fiscal years, and prior years. In each of the last three years, the annual deficit spending has grown each year at an unsustainable level. This has resulted in the necessity to borrow funds from the Solid Waste Fund to meet the annual shortfalls.

The Solid Waste Fund exhibits fluctuations up or down in revenues and expenditures over the last three fiscal years. These trends represent a stagnant growth scenario, however, given the nature of the services provided by this fund, this situation is not considered significant. SCVCSD does maintain a very significant fund balance available for the Solid Waste Fund, however a significant negative fund balance for the General Fund. This imbalance is reflective of the services provided, and how they are funded, however, overall is considered unsustainable given the significant deficits related to the General Fund.

SCVCSD collects an annual assessment to defray the costs of providing supplemental law enforcement for the communities of Thermal, Oasis, Mecca and Vista Santa Rosa. The current charges are \$1.00 per acre, \$20.00 minimum (regardless of acreage), \$88 per commercial unit, and \$66 per residential habitable unit. Funding for the Solid Waste Fund is received from the Franchise Fee charged to the designated solid waste hauler contracted by the District, which is also included in the property owners' annual property tax billing. The current Franchise Fee is 12% of the customer's cost for service.

Ratios of Revenue Sources

Diversity of revenues is an indicator of any public agency's ability to withstand a major loss in one revenue stream without a significant impact to operations and services. Ideally, an agency should have 3-4 revenue streams that are as equally balanced as possible, however, that isn't always possible in some agencies.

SCVCSD generally receives approximately 100% of its overall revenues for the General Fund in the form of special assessments attached to annual property taxes on each parcel in the District. Since the District's General Fund revenue stream is not diversified to any extent, alternative sources of revenue would be ideal for absorbing a significant decrease in the one revenue source that is heavily reliant on for service provision. However, alternative revenue sources are not readily available to the District to allow for further diversification. As noted previously, the District does rely on borrowing from the Solid Waste Fund to augment the annual General Fund deficits.

The District generally receives approximately 95% of its overall revenues for the Solid Waste Fund in the form of Franchise Fees paid by the solid waste hauler under the terms of the contract for those services. The remaining 5% is from interest earnings. As with the General Fund, the District's Solid Waste Fund revenue stream is not diversified to any extent, however as this fund is limited to a specific service and the contract provides for maintaining a steady revenue stream for the services provided, the need for diversification of revenues for this fund is insignificant.

Additionally, special assessments, although a generally stable revenue source, require authorization through a vote of the District constituency for any increases above the annual increases already authorized in the assessments. And as cost increases for service provision continue upward, with no corresponding increase in assessments, then long term financial resiliency is at risk, which has been the case for the District over the last several years.

Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. A ratio of 30% or greater of fund balance/reserve to annual expenditures is generally considered an adequate ratio to maintain.

SCVCSD's General Fund reflects a negative fund balance of \$744,781 for Fiscal Year 2019/20, which clearly reflects no reserve capacity for the General Fund. The Solid Waste Fund maintains a significant fund balance of approximately 2,100% of expenditures. However, it is noted that this reserve is to an extent, committed to solid waste type of services, and is limited in the ability to offset the General Fund deficit.

Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10% or less would reflect a very stable ratio.

SCVCSD has no bond or other secured debt, nor pension or OPEB unfunded liability, therefore no ratio to assess, which in turn is a positive aspect to overall financial stability.

Net Position

An agency's "Net Position" as reported in its audited financial statements represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other liabilities). A positive Net Position generally provides an indicator of financial soundness over the long-term. However, Net Position also includes the value of capital assets that may or may not be easily liquidated. Therefore, Net Position could potentially be skewed when viewing it in the aspect of liquidity.

The FY 2019/20 ending net position for the SCVCSD was calculated by the auditors at \$305,498, however, this reflects the combined amount for both the General Fund and the Solid Waste Fund. The significant deficit of a negative \$744,781 is offset by the significant net position of \$1,050,279 for the Solid Waste Fund.

As compared to annual revenues and expenditures, this is a relatively good overall combined net position. However, given the disparity between the two funds, and the significant deficit of the General Fund, the overall Net Position of the District is not considered as stable as it appears, and has been declining annually over the last several years. Additionally, as the District has no depreciable capital assets, the annual decrease in net position is solely attributable to liquid assets.

Pension and OPEB Unfunded Liabilities

SCVCSD does not have any pension nor OPEB unfunded liability as of June 30, 2020 as per the most recent audit report for the fiscal year ending June 30, 2020. All staffing is contracted to a private management company, services are contracted to private and public agencies, and there are no District direct employees. The District currently has no plans for retaining direct employees at this time.

Capital Assets and Capital Improvement Program

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technological changes. Depreciation typically spreads the life of a facility over time to calculate a depreciation amount for accounting purposes. The actual timing and amount of annual capital investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable capital expenditures.

SCVCSD does not own any land or facilities, and any capital assets are limited to office equipment and furniture. Therefore, no long-term Capital Improvement Plan is considered necessary for the District to maintain.

Fee Structure for Services Provided

Most public agencies charge fees for various direct benefit services provided. SCVCSD collects an annual property tax special assessment to defray the costs of providing supplemental law enforcement for the communities of Thermal, Oasis, Mecca and Vista Santa Rosa. The current charges are \$1.00 per acre, \$20.00 minimum (regardless of acreage), \$88 per commercial unit, and \$66 per residential habitable unit. Funding for the Solid Waste Fund is received from the Franchise Fee charged to the designated solid waste hauler contracted by the District, which is also included in the property owners' annual property tax billing.

Cost Avoidance Programs

Due to the nature of the limited services provided by the General Fund and the Solid Waste Fund, there is very little ability for the District to implement cost avoidance programs on any significant level. The District's financial status as previously noted, is considered unstable for the General Fund and the only cost avoidance scenarios likely would be further reduction of law enforcement services lacking additional revenues.

The District reports working with all contracted agencies to eliminate as much excess services provided, but still maintaining an adequate level of service for the community. Within the yearly audits, the District is always looking beyond and within its own scope of services to determine maximum efficiency for the communities served. The District believes that with future budget analysis and collaboration with other agencies, either private or public, it will hopefully be able to increase services provided.

DISADVANTAGED UNINCORPORATED COMMUNITIES

Although there are no disadvantaged unincorporated communities within or contiguous to the SCVCSD's SOI as defined by current state statutes. However, there are several communities within the District boundaries that meet the basic economic criteria.

STATUS OF ISSUES IDENTIFIED IN MOST RECENT MSR

SCVCSD's last MSR was performed in 2006. The only issue raised in the 2006 MSR was the overlap of the District's boundary with the Cities of La Quinta and Coachella. Recommendations were made for reorganizations to occur to adjust the boundary of SCVCSD to eliminate duplication of services. There is no record that the appropriate boundary reorganizations to correct the overlap has been conducted. The District's SOI was amended in 2006 to remove those portions within the two cities' boundaries from SCVCSD's SOI, thus creating an SOI that is smaller than the District.

GOVERNMENT STRUCTURE ALTERNATIVES

There are only two government structure alternatives that would be applicable to SCVCSD at this time:

Maintain the status quo.

SCVCSD's government structure currently in place is sufficient to provide the appropriate governance structure for the District for the services provided. The District maintains a small staff, is efficient in delivery of services as possible, although at a reduced level of desirability, and appears to be diligent in not overextending. Therefore, the District's current structure should be maintained for the time being. However, lacking any sustainable plan for increasing revenues to support services, maintaining the District may not be feasible.

Dissolve TCSD with the County becoming Successor Agency.

Due to the nature of the funding constraints for providing adequate supplemental law enforcement and related General Fund services, the County should be looked to as being in a much better position to assume the supplemental law enforcement and solid waste services through its existing Sheriff Department for law enforcement, and franchise agreements for solid waste services. As Successor Agency, the County can maintain the existing special assessment levies on the applicable parcels and is in a position to gain an efficiency of scale by eliminating the administrative overhead associated with the District.

RECOMMENDED MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the information, issues, and analysis presented in this report, proposed MSR determinations pursuant to Government Code section 56430 are presented below for the LAFCO Commission's consideration:

1) *Growth and Population Projections*

- SCVCSD currently services a population of approximately 11,000 over a geographical area of approximately 139 square miles.
- Population fluctuates when migrant farm workers are engaged in farming operations.
- The District is primarily rural in nature, with development subject to the County of Riverside land use and zoning.
- The District's service area has good potential for growth with current growth occurring mainly in the urbanized areas of Thermal and Mecca. Future growth for residential and commercial development will be driven primarily by the nature of the post Covid-19 economic recovery within the region.

2) *Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the CSD's SOI.*

- There are no Disadvantaged Unincorporated Communities, as defined by state statute, within or contiguous to SCVCSD's SOI.
- There are several communities contained within the District jurisdictional boundaries that do meet the basic economic criteria for a DUC.

3) *Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies Related to Disadvantaged Unincorporated Communities*

- SCVCSD neither owns nor maintains any infrastructure or facilities within the District jurisdictional boundaries, nor do their authorized services require additional infrastructure or facilities.
- The District forecasts services needed by relying on contract agencies to provide future service requirement; therefore, determining future district cost needs.
- Present capacity of the District's services is constrained by funding constraints as revenues are not adequate to provide the level of supplemental law enforcement services desired by the community. Additional revenue sources, or a successful ballot measure to raise existing special assessments will be necessary to close the gap.
- There are no deficiencies related to DUCs, as defined by statute, as there are no contiguous DUCs to the District's boundaries. However, there are several disadvantaged communities located within the District boundaries.

4) *Financial Ability of the CSD to Provide Services*

- Currently, SCVCSD has very limited financial ability to maintain the current level of services provided. However, by the District's own representations, services are not at the levels desired due to stagnant revenues and annual increases in costs for providing services. The District struggles to maintain existing services even at the reduced level of desirability.
- The District maintains a significant negative fund balance and annual deficits for the General Fund, relying on borrowing from the Solid Waste Fund to augment the General Fund.
- The District operates as efficiently as possible with limited staff to minimize administrative overhead costs.

- Lacking the ability to obtain alternative revenue sources, and with the restrictions on raising assessments unless a two-thirds approval of registered voters is obtained, long term financial solvency is a significant concern.

5) *Status of, Opportunities for Shared Facilities*

- There is no foreseeable opportunity for shared facilities as the District only leases an office building with no other structures.

6) *Accountability for Community Service Needs, Including Governmental Structure, and Operational Efficiencies.*

- SCVCSD is governed by a five-member Board of Directors, elected at large. Administrative staffing is limited to approximately 2 contract personnel.
- Service needs are being met to the best extent possible given the aforementioned revenue/cost issues. Operational efficiencies are optimized as best as can be achieved given the annual funding limitations.
- The District primarily conducts outreach via its website, Board meetings and direct interface with property owners when issues are reported.
- No direct contact information is listed for Board members, and no staff reports are provided with the agendas that are posted on the District website. Additionally, the website needs updating in some areas for current and archived information and certain disclosures for transparency purposes. These items should be included for additional transparency to the public.
- No alternative government structure options are considered superior to the current structure at this time, however dissolution with the County becoming the Successor Agency should be a future consolidation long term given the revenue/cost issues identified.

7) *Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.*

- SCVCSD's jurisdictional boundary includes portions of the Cities of Coachella and La Quinta. As the Cities annexed these areas, they were not removed from the District's boundary. Hence, these areas are located within both agencies. Because the Cities provide the same services as the District, this should be considered a duplication of services.
- The District's boundary should be removed from the two City jurisdictional boundaries in order to eliminate the overlapping service areas. Likewise, if annexations to these Cities occur in the future, the District boundary should be

modified to ensure that the annexation does not create future overlapping boundaries.

- The District's SOI was amended in 2006 to remove those portions of the SOI within the two cities' boundaries from SCVCSD's SOI.
- The District or the affected cities should file applications with LAFCO for consideration of correcting these boundary discrepancies.

RECOMMENDED SPHERE OF INFLUENCE DETERMINATIONS

Existing Sphere of Influence

SCVCSD's existing sphere of influence as modified in 2006 is contracted smaller than its jurisdictional boundaries.

Sphere of Influence Analysis

One of LAFCO's objectives is to eliminate illogical boundaries and associated service inefficiencies, where these issues exist. Based on the geographic and jurisdictional boundary constraints, lack of need for providing services outside the District's current jurisdictional boundary and SOI, and in particular funding constraints, there is no area of potential expansion of SCVCSD's SOI that has been identified.

Sphere of Influence Options

Two options are identified with respect to SCVCSD's SOI.

Option #1: Maintain the current SOI.

Should the LAFCO Commission wish to continue to reflect the intention to have SCVCSD eventually reduce the existing jurisdictional boundary, then maintaining the current SOI would be appropriate.

Option #2: Adopt a "Zero SOI"

Should the LAFCO Commission consider potential future dissolution of SCVCSD with a Successor Agency assuming the service responsibilities, then a "Zero SOI" would be appropriate.

Sphere of Influence Determinations

Following are the five recommended determinations for the LAFCO Commission's consideration as required by Government Code section 56425(e):

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

- SCVCSD is not authorized land use planning authority. The County of Riverside is responsible for land use planning.
- Current land use and zoning is substantially rural with several urbanized and suburbanized communities contained within the District boundaries. There is good potential for future residential and commercial development.
- It is likely future land use decisions will mostly reflect maintaining the rural and agricultural nature of the area excepting potential development in urbanized and suburbanized communities.

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

- Current services are not considered adequate to support the area, including support of even limited future growth in the area due to funding constraints.
- Long term, there may be a need for significant reduction in supplemental law enforcement services.
- Expansion of services will require sufficient revenues to support the cost of any service expansion.
- There is no potential need for future facilities to support the services provided.

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

- Sufficient capacity of facilities exists to support providing the current level of public services authorized and being provided. However, funding issues preclude providing services at an adequate level.
- Long term services most likely will be severely impacted due to revenue restrictions and continued cost increases for the services provided.

4) *The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.*

- There are several communities of interest within the SCVCSD jurisdictional boundaries that require special attention, none however having any additional service issues that the District over which would have responsibility.

- 5) ***For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.***
- There are no Disadvantaged Unincorporate Communities, as defined by statute, within or adjacent to the existing SOI, nor does the District provide any of those services identified.

Chapter 6- Tenaja CSD

OVERVIEW / BACKGROUND

The Tenaja Community Services District (TCSD or District) was formed in 1985 in accordance with the Community Services District Act (Government Code 61000 et seq.). The District encompasses approximately 6,400 acres (10 sq. mi.) of spacious rural land in the Santa Rosa Coastal Mountain Range between the City of Murrieta and the Cleveland National Forest. The District reports that approximately 230 housing units are contained within the District boundaries. Population is estimated between 750-900.

When established TCSD was authorized to provide a number of services, however, only two services were determined to be provided- road construction and maintenance, and utility undergrounding. These services were affirmed by LAFCO on January 25, 2007 per the requirements of SB 135, chaptered into law in 2005. TCSD has not indicated any plans for expanding services additional to the current services provided. Available latent powers that the District is authorized under Community Service District statutes that the District may desire to provide would require a public hearing and formal authorization from the LAFCO Commission.

In February 1986, Assembly Bill 3305 was enacted that empowered the Tenaja Board of Directors to act as ex-officio governing body of any homeowners associations to administer existing Conditions, Covenants and Restrictions (CC&Rs). There are currently five sets of CC&Rs being administered by the District Board of Directors.

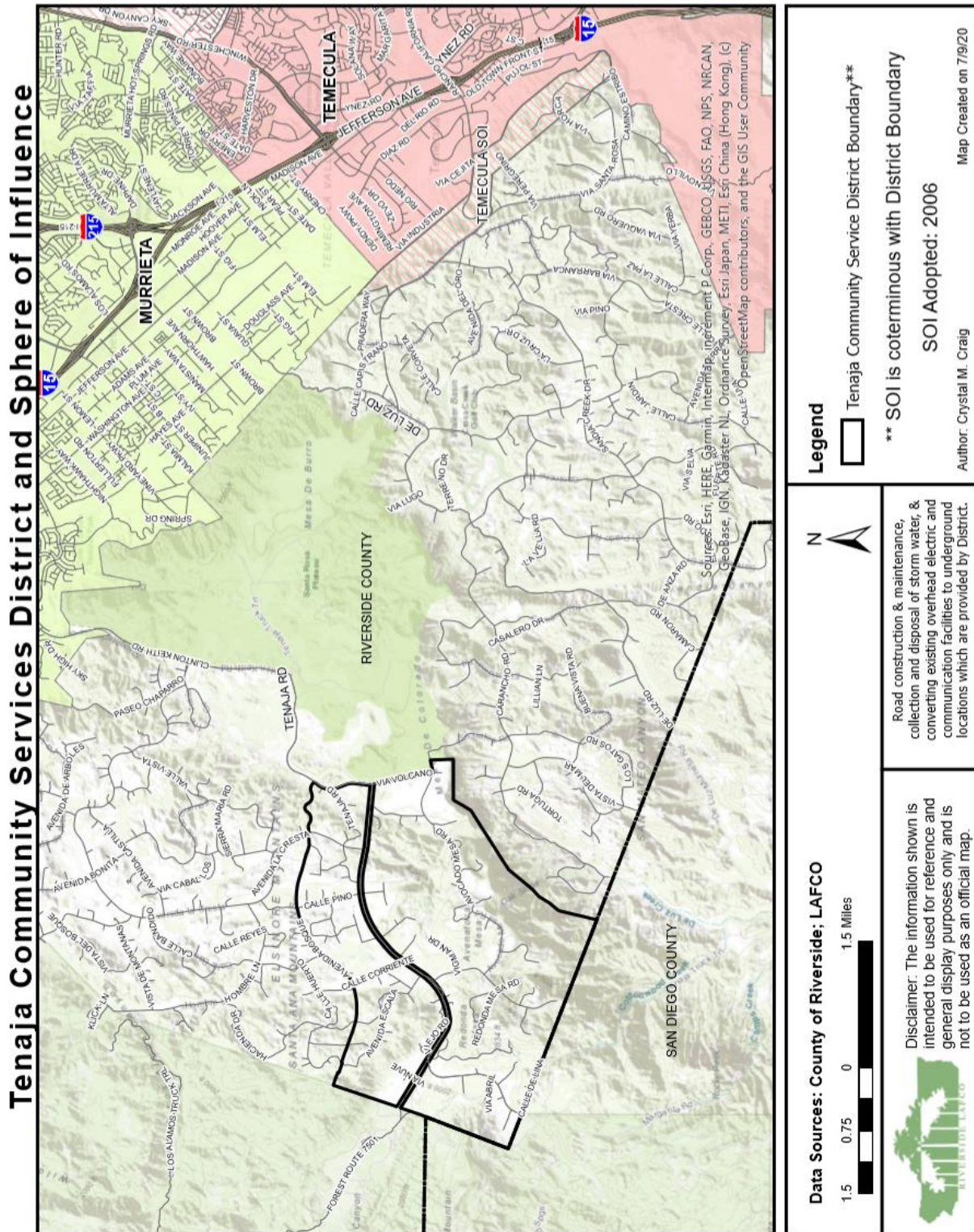
TCSD does not provide any services outside of its service boundary. TCSD's sphere of influence is coterminous with its current service boundary.

Table 6-1 on Page 109 provides a snapshot profile of TCSD. A map of the District's current boundary and SOI is shown in **Figure 6-1** on Page 110.

Table 6-1- Profile – Tenaja CSD

General Information			
Agency Type	Municipal - Community Services District		
Principal Act	Section 61000 et. Seq. of the California Government Code		
Date Formed	1985		
Services Provided	Road Construction/Maintenance, Utility Undergrounding (authorized- not currently provided), Administration of Community CC & Rs		
Location	Santa Rosa Plateau, west of the City of Murrieta. Office location: 24837 Jefferson Ave, #207, Murrieta, CA, 92562, (951) 696-5999		
Sq. Miles/Acres	Approximately 6,400 Acres (10 sq. miles)		
Contact	Arlene Miller, General Manager tenajacsd@gmail.com		
Website	www.tenajacsd.org		
Population Served	Estimated 750-900		
Last SOI Update	2006		
Governance/Staffing			
Governing Body	5-member Board of Directors, elected at-large		
Terms	4-year staggered terms		
Meeting Information	1st Wednesday of the Month at 6:30 pm at the District office- 24837 Jefferson Ave, #207 Murrieta, CA 92562		
Total Staff	2 employees (augmented with temporary staff as necessary for specific projects)		
Staff Categories	General Manager, Admin Asst		
Facilities/Other Infrastructure			
Facilities	None. (District office is leased)		
Other Infrastructure	30 miles of roadways and right of way		
Financial Information- FY 19/20 Actuals (Audited Financial Statements)			
	Revenues	Expenditures	Net Surplus/(Deficit)
General Fund	\$332,644	\$173,825	\$158,819
Capital Fund	\$84,467	\$28,367	\$56,100
Combined Funds	\$417,111	\$202,192	\$214,919
	FY 19/20	Long Term Planned Expenditures	
Capital Expenditures	\$28,367	None.	
General Fund Balance	\$356,234	June 30, 2020 Financial Statement	
Capital Fund Balance	\$638,165	June 30, 2020 Financial Statement	
Unrestricted Net Assets	\$217,409	June 30, 2020 Financial Statement	
Capital Assets	\$5,443,134	June 30, 2020 Financial Statement	
Net Position (Combined)	\$6,437,533	June 30, 2020 Financial Statement	
Debt & Unfunded Pension/OPEB Liabilities- Year Ending June 30, 2020			
Long Term Debt	TCSD has no long-term bond or secured debt		
Unfunded Pension Liability	TCSD has no unfunded pension liability.		
Unfunded OPEB Liability	TCSD has no unfunded OPEB liability		
Notes			

Figure 6-1- Boundary/SOI Map – Tenaja CSD



GROWTH AND POPULATION PROJECTIONS

TCSD currently serves an estimated population of approximately 750-900 over a geographical area of approximately 10 square miles. The District's service area has little potential for growth, and growth has only been occurring at a slow pace, mostly through lot splits according to the District. The District is primarily rural in nature, with development subject to the Southwest Area Community Plan of the County of Riverside which requires a minimum of five (5) acres for one (1) residence. Therefore, no significant increase in construction for housing or any commercial development nor any substantial population growth is anticipated in the foreseeable future.

ACCOUNTABILITY AND GOVERNANCE

TCSD is governed by a five-member Board of Directors, elected at large to four-year staggered terms. The TCSD Board meets every 1st Wednesday of the month at 6:30 p.m. at the District Office, located at 24837 Jefferson Ave, #207 Murrieta, CA 92562. The District's Board of Directors consists of a President, President Pro Tem, and three Directors. There are no current vacancies on the Board. Additionally, there are two committees that meet to provide more specified leadership in certain areas. These two committees include the Architectural Control Committee and the Roads Committee. The Board and designated staff maintain Form 700 disclosures and ethics training current.

TCSD Board of Directors	Term Expires
Peter Millington	2024
Carol Hoboy-Ternore	2024
Ronald McDaniel	2024
Debra Natale	2022
Scott Becker	2022

The Architectural Control Committee has the duties of verifying house plans are in compliance with the CC&R's. The Roads Committee has the duty to verify right of way encroachments are correctly engineered, and projects such as culvert cleaning, tree trimming, pavement repairs, overlays, crack sealing, striping, sign repair and replacement, shoulder replacement, and other road related activities are carried out appropriately. Each Committee meets the 3rd Thursday of the month at 7:30am at the District office.

TCSD also administers the five separate sets of CC&Rs applicable to properties within the District, and administers various ordinances related to enforcement of CC&Rs, roadway related engineering and traffic control, and community development guidelines.

In general, the District website is adequate for providing basic information to the public. However, the website is lacking in including updated information such as the most recent audit, limited access to past meetings with no link to archived items, written staff reports and backup information relative to agenda items is not provided, the Resolution page appears not updated since 2019, the most recent budget information not specific in the budget link, no link to compensation information, and there are no direct email addresses

to contact Board members for direct access. The District should consider adding these features to its website.

Annually, the new budget is mailed to all property owners with all contact information. Further any property owner that wants to be on the “Agenda mailing list” is added and the exact same agenda packet that is sent to the Board of Directors is copied to their email address. Whenever a new owner contacts the office, they are encouraged to attend either the Roads Committee Meeting and/or Board meeting.

The District does utilize a formal complaint form for complaints, however, the District reports that for the most part complainants attend the Board meeting and speak directly to the Board. There is no time limit on the Public Forum portion of the agenda. The District reports that no complaints about the District’s operations have been received in the recent past. Property owners will call in time to time about abandoned cars, rocks in the right-of-way, street signs hit, potholes, and other road maintenance issues. These matters are normally cleared up immediately. The District has received several complaints about the Airbnb’s and Weddings in the District and the increase of traffic and noise due to these events.

SERVICES – FACILITIES- INFRASTRUCTURE

Service Overview

TCSD currently provides road construction and maintenance services within its boundaries. Maintenance services include road and right of way weed abatement, signage, culvert cleaning, pavement patches and repairs, striping, shoulder maintenance, tree trimming, storm damage and other such road related items. The District contracts with various private companies for specific road construction and maintenance projects. Additionally, the District contracts for annual audit services and legal counsel as needed. The District does not provide contract services to other agencies.

The District also provides facilitation to the property owners that want street improvements. The District will aid in forming a special assessment district for improvements, seek funding for that project that will be paid by those property owners that benefit from the improvement, and maintain the road improvement, all within the confines of Proposition 218. Additionally, the District works with utility companies to coordinate road improvement projects to include utilities with the street improvements, including undergrounding new electrical installations.

Facilities/Infrastructure

TCSD has responsibility for maintenance and construction of approximately 30 miles of roadways, including right of way, throughout the District. Additionally, the District maintains traffic control signs along the roadways, and performs other right of way maintenance services such as weed abatement, culvert and storm drain cleaning and striping, etc. TCSD also leases its office facility on Jefferson Ave. in Murrieta. The District does not own any facilities or other infrastructure.

Service Adequacy

TCSD is generally providing services as adequately as possible given the limited revenues available for road maintenance and improvement services. However, the actual level of service falls well short of desired levels. The District has noted that the purchasing power of available revenues over the years has dramatically decreased with respect to costs. This is reflective of the restrictions imposed by Proposition 218 on assessment increases, and lack of other funds, most notably fuel taxes dedicated to road maintenance not available to a CSD as they are for cities and the County.

The Roads Committee meets once a month and discusses services and financial limitations. The Committee members are each assigned certain areas to drive and inspect on a weekly basis to see if any improvements, signs or other matters need to be addressed. In addition, the General Manager drives the entire district once a week and if there is a concern from a property owner, staff will visit the site, take notes and photos, and authorize the appropriate mitigation.

The District reports that long-term objectives are all related to funds available. The District reports that their goal is to repave the entire road system instead of doing patch work; however, funding is insufficient. The District has experience on how long striping/stop bars as well as the wood street name signs paint and maintenance will last. Based on experience, the District tries to budget for a long-term maintenance plan however, again within the confines of available funds resources.

Facilities/Infrastructure Needs

TCSD indicates that maintenance support of existing and future roads will be impacted due to the previously noted financial constraints under which the District operates. There most likely will be some requirements for additional road construction/maintenance infrastructure depending on the level and type of future development. There are no known requirements for any other infrastructure such as new buildings foreseen.

The District does not utilize a 5-year Capital Improvement Program for facilities or road infrastructure improvements. The District does not anticipate funding additional facilities and manages annual road maintenance and capital road improvements based on availability of funds.

Cooperative Programs

TCSD participates in cooperative programs and other cooperative endeavors as follows:-

- Santa Rosa Plateau Emergency Taskforce (SRPET) – Coordination and development of emergency plans for safe places during fires, flooding, earthquake preparedness and shelter for animals.

- Southwest Riverside County Fire Safe Counsel- Working on chipping programs, tree trimming and other fire safety measures.

Additionally, TCSD reports they have been working with their County Supervisor's office on legislation to address Airbnb's and Weddings or other commercial activities in the District as a result of the previously mentioned complaints received for noise and traffic issues.

TCSD is not a member of any Joint Powers Authority. TCSD is a member of the California Special Districts Association.

FINANCIAL OVERVIEW

TCSD carries all operational budgeting and accounting in two funds, the General Fund and the Capital Fund. The General Fund carries all administrative, most operational and some capital maintenance expenditures. The Capital Fund carries larger capital projects related to roads.

Benefit Fees (property assessments) comprise the most significant source of revenues for the District, followed by other direct assessments, administrative fees on assessments, earned interest income and permit fees. The Benefit Assessment Fees are assessed to each parcel within the District and included on the annual property tax statements for collection and allocation by the County Treasurer-Tax Collector. Other fees are charged for permit issuance and inspection services primarily for encroachment permits and inspections for performing work within the public right of way on roads maintained by the District.

There is one overall Benefit Assessment for all parcels within the District, one Road Maintenance Fund Assessment (AD Tenaja 2004-1), and three additional Special Benefit Assessment Zones for specific areas within the District. The current overall Benefit Assessment for all parcels is currently \$31.50 per acre, per year, and the Road Maintenance Fund Assessment is \$136.80 per acre as of FY 2018/19.

Administrative and operational expenditures comprise the most significant expenditures for the District, followed by road and right of way maintenance. Although the administrative costs reported in the District budgets are considered reasonable for operating the District, the lack of funding for carrying out the road and right of way maintenance responsibilities adequately, which is the primary function of the District, is a concern. Benefit Assessment increases exceeding any maximum inflation escalation rate originally adopted must be placed before the registered voters within that benefit zone for enactment. A two-thirds approval is required for passage for those benefit assessments for a specific purpose. Current Benefit Assessments are inadequate for short term and long-term service sustainability. The District reports that property owners within the District are generally opposed to raising the Assessments to meet the escalating costs of road maintenance. And given the lack of other revenue sources that are not available to TCSD, this creates an unsustainable position.

TCSD has no debt, and no other significant long-term liabilities. The District conducts an independent audit annually, the last three years reflecting an “unmodified” opinion, and provides all required reporting to the State Controller’s Office as required by statutes.

Overall, the financial position of the District is considered relatively stable at this time, with a sufficient unrestricted fund balance available for short term potential revenue/expenditure deficits. However, as noted previous, the annual escalating costs of providing services outdistancing the annual increase in revenues is noteworthy. Lacking the ability to raise additional revenue without voter support or by other legislative means, adequate service provision most likely will be in jeopardy.

Table 6-2 following, provides a snapshot of key financial data from the last three fiscal years. An analysis of the data related to several key financial status and financial health indicators follows.

Table 6-2- Financial Information- Tenaja CSD

Financial Information (Actuals)			
	FY 19/20	FY 18/19	FY 17/18
General Fund Revenues/Transfers	\$332,644	\$237,865	\$239,385
General Fund Expenditures/Transfers	\$173,825	\$489,996	\$324,986
General Fund Surplus/(Deficit)	\$158,819	(\$252,131)	(\$85,601)
Capital Fund Revenues/Transfers	\$84,467	\$88,226	\$78,561
Capital Fund Expenditures/Transfers	\$28,367	\$29,859	\$7,857
Capital Fund Surplus/(Deficit)	\$56,100	\$58,367	\$70,704
Capital Expenditures	\$28,367	\$29,859	\$7,857
Debt Service Expenditures	N/A	N/A	N/A
Long Term Liabilities	N/A	N/A	\$5,328
Unrestricted Net Assets (Reserve)	\$217,409	\$244,186	\$436,450
Restricted Net Assets (Reserve) (excl Capital)	\$587,865	\$535,294	\$535,294
Capital Assets (Net of Depreciation)	\$5,443,134	\$5,632,259	\$5,535,805
Unfunded Pension Liability	N/A	N/A	N/A
Unfunded OPEB Liability	N/A	N/A	N/A
Net Position	\$6,437,533	\$6,411,739	\$6,503,721

There are nine primary areas of criteria that have been utilized for this report to assess the present and future financial condition of the CSD’s ability to provide efficient service operations as discussed below:

1. 3-Year Revenue/Expenditure Budget Trends
2. Ratios of Revenue Sources
3. Ratios of Reserves or Fund Balance to Annual Expenditures
4. Annual Debt Service Expenditures to Total Annual Expenditures
5. Net Position

6. Pension and OPEB Unfunded Liabilities
7. Capital Assets and Capital Improvement Plan
8. Fee Structure for Services Provided
9. Cost Avoidance Programs

3 Year Revenue/Expenditure Budget Trends

A trend analysis of revenues and expenditures provides a relatively quick snapshot of financial stability, and financial management of budgetary ebbs and flows over a short period of time.

For TCSD, the General Fund revenue trend has been generally static, with a significant increase in FY 2019/20. The expenditure trend has fluctuated up and down over the last three fiscal years. The Capital Fund exhibits fluctuations up or down in revenues and expenditures over the last three fiscal years.

These trends represent a stagnant growth scenario that when factoring in rising costs, may ultimately reflect in degradation of services. TCSD does maintain a relatively significant unassigned fund balance available, and a significant restricted fund balance available for capital projects, however, unanticipated major expenditures could arise, and any sustained drawdown of that fund balance is considered limited.

Ratios of Revenue Sources

Diversity of revenues is an indicator of any public agency's ability to withstand a major loss in one revenue stream without a significant impact to operations and services. Ideally, an agency should have 3-4 revenue streams that are as equally balanced as possible, however, that isn't always possible in some agencies.

TCSD generally receives approximately 94% of its overall revenues in the form of benefit assessment fees. The remaining 6% comes from permit fees, interest earnings and miscellaneous sources. Since the District's revenue stream is not diversified to any extent, alternative sources of revenue would be ideal for absorbing a significant decrease in the one revenue source that is heavily reliant on for service provision. However, alternative revenue sources are not readily available to the District to allow for further diversification.

Additionally, benefit assessments, although a generally stable revenue source, require authorization through a vote of the District constituency for any increases above the annual increases already authorized in the assessments. And as cost increases for service provision continue upward, with no corresponding increase in benefit assessments, then long term financial resiliency is at risk. Overall, the revenue status of TCSD can be considered sustainable for the near term, however, long term sustainability is of concern.

Ratio of Reserves or Fund Balance to Annual Expenditures

An indicator of the ability to absorb an unexpected loss of revenue in a given fiscal year is exhibited by the amount of unrestricted cash reserve or fund balance the service fund maintains in relation to the annual fund expenditures. A ratio of 30% or greater of fund balance/reserve to annual expenditures is generally considered an adequate ratio to maintain.

TCSD's General Fund unassigned fund balance of \$356,234 for Fiscal Year 2019/20 is approximately 205% of expenditures. The District's Capital Fund restricted and unassigned fund balance of \$638,165 for Fiscal Year 2019/20 is approximately 2,250% of annual expenditures. However, it is noted that capital projects are only scheduled periodically, and one large project will draw down the fund balance significantly. It should be noted that although these ratios are substantial, the negative trend of expenditure growth coupled with a lack of diversity in revenue sources, may in time require utilization of a potentially significant portion of this fund balance to maintain services.

Annual Debt Service Expenditures to Total Annual Expenditures

The ratio of annual debt service to total fund annual expenditures is an indicator of the District's ability to meet debt obligations in relation to service provision expenditures. Ideally, a ratio of 10% or less would reflect a very stable ratio.

TCSD has no bond or other secured debt, nor pension or OPEB unfunded liability, therefore no ratio to assess, which in turn is a positive aspect to overall financial stability.

Net Position

An agency's "Net Position" as reported in its audited financial statements represents the amount by which assets (e.g., cash, capital assets, other assets) exceed liabilities (e.g., debts, unfunded pension and OPEB liabilities, other liabilities). A positive Net Position generally provides an indicator of financial soundness over the long-term. However, Net Position also includes the value of capital assets that may or may not be easily liquidated. Therefore, Net Position could potentially be skewed when viewing it in the aspect of liquidity.

The FY 2019/20 ending net position for the TCSD was calculated by the auditors at \$6,437,533 with \$217,409 identified as unrestricted. As compared to annual revenues and expenditures, this is a significant amount of net position, indicating stability with its ongoing governmental activities for the foreseeable future. However, it should be noted that a significant amount of Net Position includes Capital Assets (roadways and right of way) that has no liquidity value.

The annual net position over the past three fiscal years does fluctuate, however, between increases and decreases. As capital assets are subject to depreciation, reductions of those asset valuations reflect negatively on net position. However, increases in other

assets such as net cash assets, or reduction in other long-term liabilities will offset some or all of those decreases. As TCSD continues to strive with rising costs and stagnant revenues, unrestricted assets will require offset in liabilities unrelated to depreciation. Additionally, as virtually 100% of capital assets are public roadways that cannot be sold or borrowed against, the true net position of the District is in a sense skewed as more positive than it may be from a liquidity position if cash is needed in the future.

Pension and OPEB Unfunded Liabilities

TCSD does not have any pension nor OPEB unfunded liability as of June 30, 2020 as per the most recent audit report for the fiscal year ending June 30, 2020. This is very good for the District and given the fact that only two employees serve the District, any potential for future unfunded liabilities most likely will be minimal.

Capital Assets and Capital Improvement Program

Capital assets must be adequately maintained and replaced over time and expanded as needed to accommodate future demand and respond to regulatory and technological changes. Depreciation typically spreads the life of a facility over time to calculate a depreciation amount for accounting purposes. The actual timing and amount of annual capital investments require detailed engineering analysis and will differ from the annual depreciation amount, although depreciation is a useful initial indicator of sustainable capital expenditures.

TCSD's capital assets include roadways, road signs, and other right of way appurtenances, not all of which are subject to depreciation. As of June 30, 2020 the District had \$8,364,477 in capital assets and \$2,921,343 in accumulated depreciation, resulting in \$5,443,134 net capital assets.

TCSD does not maintain a long-range Capital Improvement Plan for road infrastructure improvements or upgrades. However, the District budgets priority infrastructure maintenance and improvement projects based on annual availability of revenue resources. The District reports that revenues and reserves are adequate for providing adequate maintenance, however reports that it is questionable as to the District's ability to complete much in the way of major capital improvements. The District does report that as of June 30, 2020, the Capital Projects Fund reflects a total of restricted and unrestricted Fund Balance (Reserve) of \$638,165.

Fee Structure for Services Provided

Most public agencies charge fees for various direct benefit services provided. TCSD charges fees for right of way encroachment permits. The base Permit Fee is \$800 and includes the first two inspections. This is a nonrefundable fee. A Deposit for an additional \$1,000 adds to the \$800 nonrefundable permit fee for a total of \$1,800 which must be paid before TCSD will issue a permit. The Deposit is used to pay the costs of any additional inspections after the first two inspections. TCSD requires the Deposit to be

replenished with an additional \$1,000 if the first Deposit is expended. Actual inspection charges on an hourly basis to Deposits are dependent on the rate schedule in affect at the time of inspections.

Cost Avoidance Programs

Due to the nature of the limited services provided by the General Fund and the Capital Fund, there is very little ability for the District to implement cost avoidance programs on any significant level. The District's financial status is generally sound, although considered marginal, the operations of the District are appropriately managed as best as practicable for the services performed given the revenue restrictions.

DISADVANTAGED UNINCORPORATED COMMUNITIES

There are no disadvantaged unincorporated communities within or contiguous to the CSD's SOI.

STATUS OF ISSUES IDENTIFIED IN MOST RECENT MSR

TCSD's last MSR was performed in 2006. The only issue raised in the 2006 MSR was the lack of sufficient funds to perform all road maintenance functions at a level of desirability. This same issue continues at this time.

GOVERNMENT STRUCTURE ALTERNATIVES

There are only two government structure alternatives that would be applicable to TCSD at this time:

Maintain the status quo.

TCSD's government structure currently in place is sufficient to provide the appropriate governance structure for the District for the services provided. The District maintains a small staff, is efficient in delivery of services as possible and appears to be diligent in not overextending. Therefore, the District's current structure should be maintained at this time.

Dissolve TCSD with the County becoming Successor Agency.

Due to the nature of the funding constraints for adequate road and right of way maintenance, the County is in a much better position to assume maintenance responsibility of the roadways. As Successor Agency, the County can maintain the existing benefit assessment levies on the applicable parcels and is in a position to augment that funding with other County funding to bring the roadways to an acceptable pavement condition level as necessary, allowing further maintenance to be planned and executed in a more efficient manner.

One aspect of this option that would need to be addressed is the issue of CC&Rs administration. It is unclear how that service would be transitioned and would require further analysis.

RECOMMENDED MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the information, issues, and analysis presented in this report, proposed MSR determinations pursuant to Government Code section 56430 are presented below for the LAFCO Commission's consideration:

1) *Growth and Population Projections*

- TCSD currently services a population of approximately 750-900 over a geographical area of approximately 10 square miles. The District's service area has little potential for growth, and growth has only been occurring at a slow pace, mostly through lot splits.
- The District is primarily rural in nature, with development subject to the Southwest Area Community Plan of the County of Riverside which requires a minimum of five acres for one residence.
- No significant increase in construction for housing or any commercial development nor any substantial population growth is anticipated in the foreseeable future.

2) *Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the CSD's SOI.*

- There are no Disadvantaged Unincorporated Communities within or contiguous to TCSD's SOI.

3) *Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies Related to Disadvantaged Unincorporated Communities*

- TCSD's infrastructure which the District is responsible for maintenance services consists of approximately 30 miles of roadways in various levels of condition.
- Present capacity of the District's services is constrained by funding constraints as revenues are not keeping pace with the rising costs of the services performed. Additional revenue sources, or a successful ballot measure to raise benefit assessments will be necessary to close the gap.
- There are no deficiencies related to DUCs as there are no contiguous DUCs.

4) *Financial Ability of the CSD to Provide Services*

- Currently, TCSD has the financial ability to provide the current level of services provided. However, by the District's own representations, services are not at the levels desired due to stagnant revenues and annual increases in costs for providing services. The District struggles to maintain existing services even at the reduced level of desirability.
- The District operates as efficiently as possible with limited staff to minimize administrative overhead costs.
- Lacking the ability to obtain alternative revenue sources, and with the restrictions on raising assessments unless a two-thirds approval of registered voters is obtained, long term financial solvency is a concern.

5) *Status of, Opportunities for Shared Facilities*

- There is no foreseeable opportunity for shared facilities as the District only leases an office building with no other structures. Primary infrastructure is limited to roadways.

6) *Accountability for Community Service Needs, Including Governmental Structure, and Operational Efficiencies.*

- TCSD is governed by a five-member Board of Directors, elected at large. Staffing is limited to approximately 2 personnel.
- Service needs are being met to the best extent possible given the aforementioned revenue/cost issues. Operational efficiencies are optimized as best as can be achieved given the annual funding limitations.
- The District primarily conducts outreach via its website, Board meetings and direct interface with property owners when issues are reported.
- No direct contact information is listed for Board members, and no staff reports are provided with the agendas that are posted on the District website. Additionally, the website needs updating in some areas for current and archived information and certain disclosures for transparency purposes. These items should be included for additional transparency to the public.
- No alternative government structure options are considered superior to the current structure at this time, however dissolution with the County becoming the Successor Agency should be a future consolidation long term given the revenue/cost issues identified.

7) Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.

- No additional matters have been identified.

RECOMMENDED SPHERE OF INFLUENCE DETERMINATIONS

Existing Sphere of Influence

TCSD's existing sphere of influence is coterminous with its boundaries.

Sphere of Influence Analysis

One of LAFCO's objectives is to eliminate illogical boundaries and associated service inefficiencies, where these issues exist. Based on the geographic and jurisdictional boundary constraints, and funding constraints, there are no areas of potential expansion of TCSD's SOI that have been identified.

Sphere of Influence Options

Two options are identified with respect to TCSD's SOI.

Option #1: Maintain the current coterminous SOI.

Should the LAFCO Commission wish to continue to reflect the intention to maintain TCSD's existing boundary, then a coterminous SOI would be appropriate.

Option #2:

Should the LAFCO Commission consider potential future dissolution of TCSD with a Successor Agency assuming the service responsibilities, then a "Zero SOI" would be appropriate.

Sphere of Influence Determinations

Following are the five recommended determinations for the LAFCO Commission's consideration as required by Government Code section 56425(e):

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

- TCSD is not authorized land use planning authority. The County of Riverside is responsible for land use planning.
- Current land use and zoning is substantially rural with significant limitations on residential and commercial development.

- It is likely future land use decisions will mostly reflect maintaining the rural and nature of the area.

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

- Current services are not considered adequate to support the area, including support of even limited future growth in the area due to funding constraints.
- Long term, there may be a need for expansion of some limited road infrastructure.
- Expansion of services will require sufficient revenues to support the cost of any service expansion.

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

- Sufficient capacity of facilities exists to support providing adequate public services authorized and being provided. However, funding issues preclude providing services at an adequate level.
- Long term services most likely will be impacted due to revenue restrictions and continued cost increases for the services provided.

4) *The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.*

- There are no specific communities of interest within the TCSD jurisdictional boundaries that require special attention, nor have any additional service issues that the District would have responsibility over been identified.

5) *For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.*

- There are no Disadvantaged Unincorporate Communities within or adjacent to the existing SOI, nor does the District provide any of those services identified.

ACRONYMS

AB	Assembly Bill
CALFIRE	California Department of Forestry and Fire Protection
CalPERS	California Public Employees Retirement System
CAPRA	Commission of Accreditation for Parks and Recreation Agencies
CDP	Census Designated Place
CFD	Community Facilities District
CEQA	California Environmental Quality Act
CIP	Capital Improvement Program
CKH	Cortese-Knox-Hertzberg Reorganization Act of 2000
DLCS	De Luz Community Services District
DUC	Disadvantaged Unincorporated Community
ECSD	Edgemont Community Services District
FEMA	Federal Emergency Management Agency
FPPC	Fair Political Practices Commission
FTE	Full-Time Equivalent
FY	Fiscal Year
GASB	Government Accounting Standards Board
GIS	Geographic Information Systems
JCS	Jurupa Community Services District
JPA	Joint Powers Authority
LAFCO	Local Agency Formation Commission
LMD	Lighting/Landscape Maintenance District
MFC	Municipal Finance Corporation
MSR	Municipal Services Review
NRPA	National Recreation & Parks Association
OPEB	Other Post-Employment Benefits
RCS	Rubidoux Community Services District
SB	Senate Bill
SCAG	Southern California Association of Governments
SCE	Southern California Edison
SOI	Sphere of Influence
SCVCS	Southern Coachella Valley Community Services District
SRPET	Santa Rosa Plateau Emergency Task Force
TCS	Tenaja Community Services District
WRCOG	Western Riverside Council of Governments