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March 22, 2021

Ms. Lori Golden, General Manager
Wrightwood Community Services District
P.O. Box 218
Wrightwood, CA 92397

Dear Ms. Golden,

By this letter I am submitting the report on the feasibility of the Wrightwood CSD activating snow removal authorities. As a part of this review, I have contacted representatives in both Los Angeles and San Bernardino Counties and evaluated the revenue stream for this service. Based upon this information I am not recommending that the District move forward with the activation proposal. The reason for this position are outlined in the report but can be summarized as follows:

1. The revenue for providing this service is a reimbursement from the State Controller's office from revenues from gas tax sources which are not available for direct distribution to a special district;
2. Snow removal is dependent upon weather conditions So a light snow year followed by a heavy snow year would require the District to use its other financial resources to perform the service. Combined with the potential for liability claims, this could be catastrophic for the District; and,
3. The District anticipated that this would be a revenue enhancing operation, which it will not be.

The primary impetus for the request, as defined by the District representatives to me, was to look for services which could enhance the financial picture for the District or at a minimum break even with all costs covered. Those services that are revenue enhancing are typically classified as "enterprise activities". The services authorized for a CSD within this realm are water, sewer, park and recreation, solid waste, broadband service, and hydroelectric power generation associated with the water function. The District currently provides two of these – park and recreation and solid waste. As noted in the District's formation documents water service is provided by the Golden State Water Company (a private water company) and sewers are not currently contemplated for the area. So, the activation of these services (along with hydroelectric power generation) are not anticipated for the near future. I believe there has been discussion regarding broadband service in the past and one of the underlying problems was the law required the transfer of the service to a local operator if requested. This provision is no longer mandatory, the law specifies that the transfer "may" be approved so this might now be a consideration the District wishes to evaluate.

Please let me know if you have any questions on this letter or the report provided or if I can be of additional service to the District.

Sincerely,

A handwritten signature in black ink, reading "Kathleen Rollings-McDonald". The signature is written in a cursive, flowing style with a large initial 'K'.

KATHLEEN ROLLINGS-McDONALD

POTENTIAL FOR ACTIVATION OF SNOW REMOVAL SERVICES
FOR WRIGHTWOOD COMMUNITY SERVICES DISTRICT

At the request of the Wrightwood Community Services District (hereafter District) this study has been prepared to analyze the feasibility of expanding the range of services offered by the District to provide snow removal services within its existing boundaries (map of District boundary and sphere included as Attachment #1). Pursuant to the principal act for Community Services Districts (Government Code Section 61000 et seq) this service is defined as follows:

Government Code Section 61100. *Within its boundaries, a district may do any of the following:*

...

*(w) Remove snow from public streets, roads, easements, and rights-of-way. A district may remove snow from public streets, roads, easements, and rights-of-way owned by another public agency, **only with the written consent of that other public agency** (emphasis added by author).*

...

It is important to note that the initiation of this process will require the consent of both the County of San Bernardino and County of Los Angeles to proceed. Written consent is anticipated to require the adoption of a resolution by the Board of Supervisors of each respective County.

The process required for evaluation of the expansion of services is included in the Cortese-Knox-Hertzberg Local Government Reorganization Act (Govt. Code Section 56000 et. seq). Specifically, Section 56824.12 (full copy of code section included as Attachment #2). This section reads as follow:

56824.12. (a) A proposal by a special district to provide a new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, shall be made by the adoption of a resolution of application by the legislative body of the special district and shall include all of the matters specified for a petition in Section 56700, except paragraph (6) of subdivision (a) of Section 56700, and be submitted with a plan for services prepared pursuant to Section 56653. The plan for services for purposes of this article shall also include all of the following information:

- (1) The total estimated cost to provide the new or different function or class of services within the special district's jurisdictional boundaries.*
- (2) The estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries. The estimated costs may be identified by customer class.*
- (3) An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers.*
- (4) A written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within*

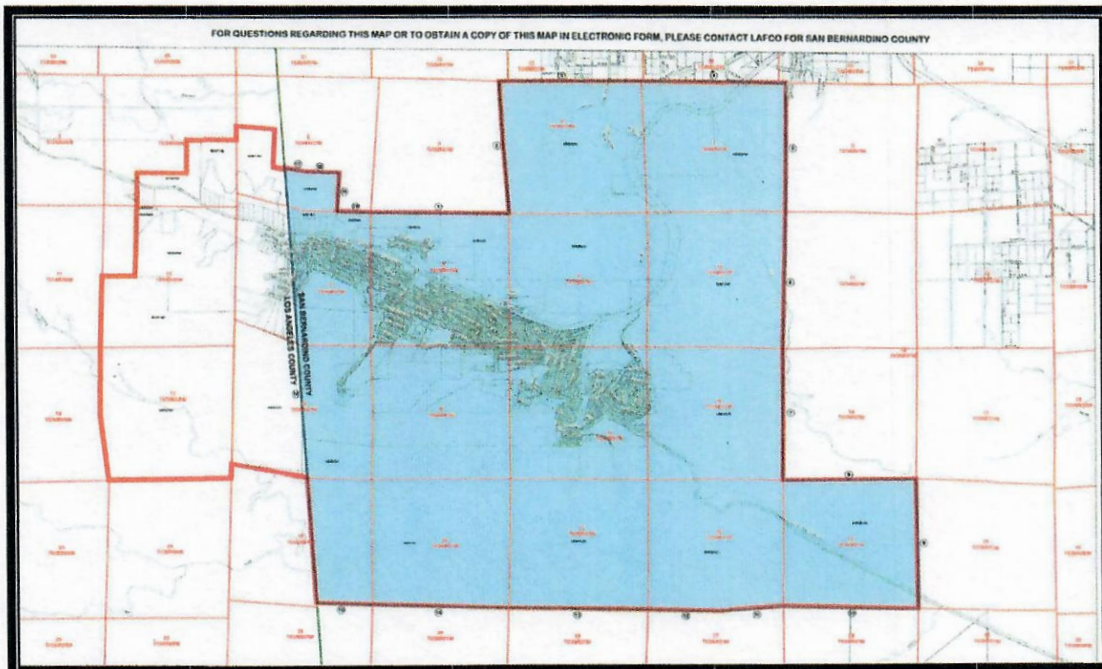
all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of service or services.

- (5) A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries.*
- (6) Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries.*

Another element of consideration is that since the District is comprised of territory in two counties, Government Code Section 56387 specifies that exclusive jurisdiction for any change of organization would reside with the principal County. In this case, principal county jurisdiction would be with the Local Agency Formation Commission of San Bernardino County as it has the greatest proportion of the assessed valuation of the District. However, confirmation would be required from Los Angeles LAFCO that it would not request the use of the provision of Government Code Section 56388 to transfer of control of processing the application.

Description of Service Area:

The District was formed in March 2017 by vote of the residents of the community (San Bernardino and Los Angeles Counties) with its effective date established as July 1, 2017. The request to authorize the expansion of the services provided by the District would be for the entirety of the District. The boundaries of the District are illustrated below. The identification of the division of territory within San Bernardino and Los Angeles County is important in the funding of snow removal currently and into the future:



At the time of its formation the District was authorized the following services:

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

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

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

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

In addition, when the District's sphere of influence was established by the Local Agency Formation Commissions in San Bernardino (2018) and Los Angeles (2018), the range of services was confirmed, and no additions were identified.

CURRENT SERVICE:

Snow removal is currently provided by each respective County Department of Transportation. In October 2020, a Cooperative Revenue Agreement between San Bernardino and Los Angeles Counties was approved allowing for San Bernardino County personnel to provide for maintenance, snow removal and ice control within the entirety of the Wrightwood community (San Bernardino and Los Angeles Counties). The intent of the negotiations was to provide for quicker and more efficient response (full copy included as Attachment #3). In telephone conversation in February 2021 with representatives of San Bernardino County Transportation¹ it was identified that while the agreement had been approved by both parties, no "Notice to Proceed" had been issued; therefore, the provision of snow removal remained divided during the current fiscal year. A previous revenue agreement between Los Angeles and San Bernardino County had Los Angeles County provide snow removal along the San Bernardino County Cardinal Lane continued for the 2020-21 Fiscal Year.

¹ Telephone voicemail from Tyson Frestom San Bernardino County Public Works Department on February 12, 2021

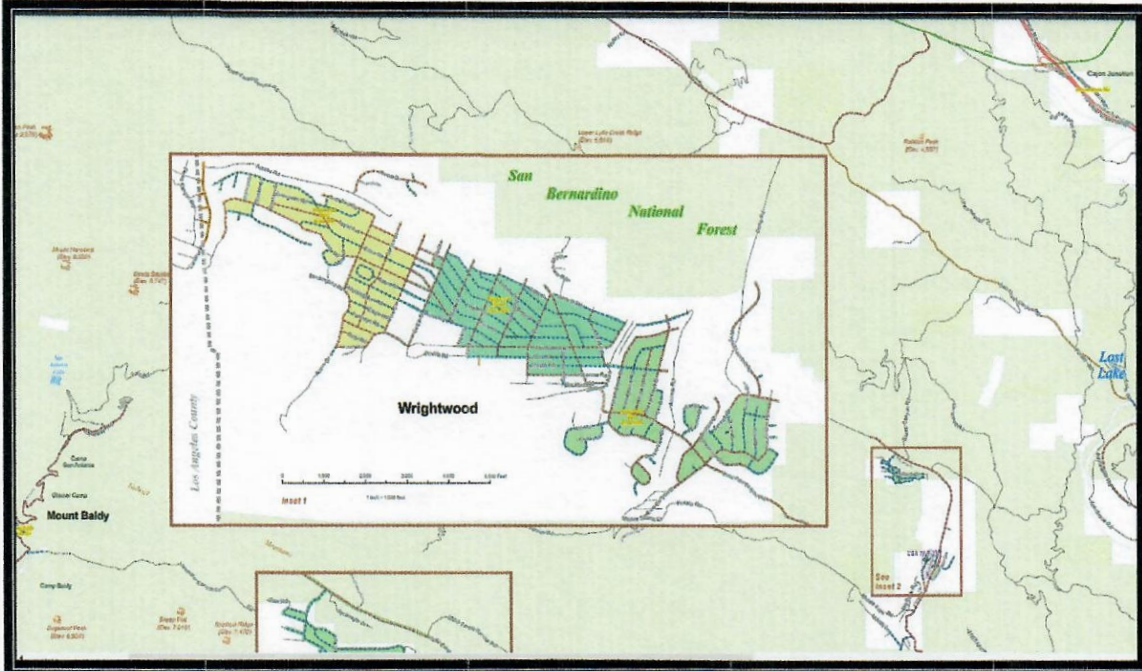
For Los Angeles County the service provider is the County Public Works Department Maintenance District #5. Snow removal service is provided by equipment located in Jackson Lake (6.6 miles away along Big Pines Highway) or Littlerock (located 31.9 miles away along Highway 138 near Palmdale),² which means the major roads in those communities must be plowed before equipment can move to the Wrightwood area. Per the email this is the rationale for the Cooperative Agreement to better serve the community.



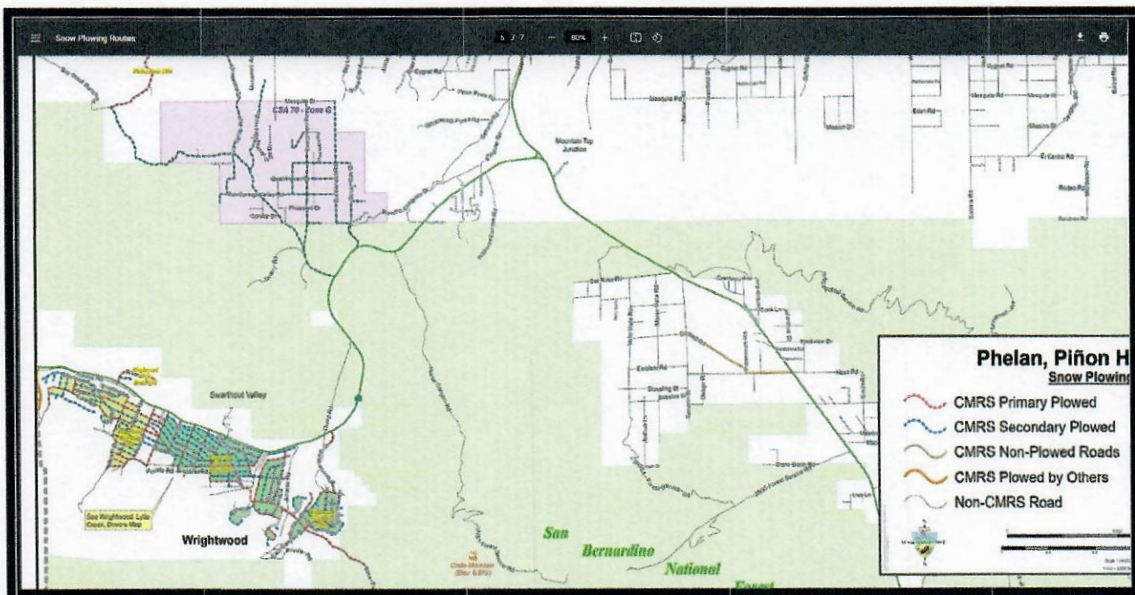
EXHIBIT A
Wrightwood Cooperative Agreement Map

The service for the San Bernardino County portion of the Wrightwood community, is provided out of the San Bernardino County Transportation Department Victorville Yard. County personnel are used to provide the service and the Department prepares for each storm event stationing personnel and equipment to respond. The Department services the public roads which are shown on the excerpt map below with color coding (a full copy is included as Attachment #4). The linear roads are not public roads and are only plowed as a means to transition from one area to another.

² Email dated March 8, 2021 from Alan Abramson, District Engineer Maintenance District #5 Los Angeles County Department of Public Works



Of note in this discussion, to the north of San Bernardino County portion of the Wrightwood community is the small community of Oaks Springs which is provided road maintenance and snow removal through County Service Area 70 Zone R-40 (map included in Attachment #4). This special district is funded by a parcel tax of \$375 per parcel annually, the service is provided through an outside contractor, and the territory is currently a part of the Phelan Pinon Hills CSD. The annual cost to provide service to the 7.35 miles of roads (464 parcels) in Fiscal Year 2019-20 was \$74,286, while the tax revenue generated was \$170,987 (Audit for 2019-20 for County Special Districts for special tax and share of 1% property tax). Information is provided as Attachment #5 to this report on the financing of this district. The service area of CSA 70 Zone G is shown below.



The costs for providing this service were provided by the respective counties. The revenue stream for this service plays an even more important role in this discussion as the revenues are reimbursements from the State based on cost of service and are allocated to each County. Los Angeles County does not identify its costs independently for its share of the Wrightwood community. However, since it is reimbursed from San Bernardino County for the plowing of the area of Cardinal Lane; the cost has been extrapolated and estimated based upon road miles on the table below.³ San Bernardino County costs were provided by voicemail from the County Department of Public Works⁴.

	2017-18	2018-19	2019-20
SERVICE PROVIDED BY LOS ANGELES COUNTY			
Los Angeles			
1.28 MILES	\$5,330.00	\$0.00	\$43,446.00
San Bdn County			
0.5 MILES	\$2,082.00	\$0.00	\$16,971.00
TOTAL	\$7,412.00	\$0.00	\$60,417.00
SERVICE PROVIDED BY SAN BERNARDINO COUNTY			
Wrightwood			
Proper	\$51,125.58	\$136,915.53	\$239,592.23
TOTAL COST FOR COMMUNITY	\$58,537.58	\$136,915.53	\$300,009.23

The revenues for providing this service are provided through the State distribution of gas tax and motor vehicle registration fees to cities and counties. This is an important distinction since these revenues are not available directly to a special district. The relevant section of the Streets and Highway Code which provides this funding for Counties is Section 2104 which allocates funding for, among other things, snow removal. This section provides that the amount of allocation shall be “the total of all reimbursable snow removal or snow grooming, or both, costs filed pursuant to subsection (d) of Section 2152” (copies of these code sections are included as Attachment #6). As a reimbursement, the funding available for current year operations are based on the expenditures from the prior year. In addition, these revenues would be a part of the monthly payment to each County as shown in the State Controller’s letter included in Attachment #6). As the chart above shows, Fiscal Year 2019-20 would have received less

³ Ibid

⁴ Voicemail of February 17, 2021 from Tyson Frestrom, San Bernardino County Transportation Department

than half of the cost for providing the service which would have required the use of funds from other sources to cover this expense while awaiting the payment during the in the following fiscal year.

SNOW REMOVAL SERVICE CONSIDERATIONS FOR WRIGHTWOOD CSD:

In making the determination on whether to move forward with an application to activate latent snow removal authorities (and concomitant proposal processing costs), the District must determine the efficiency and sustainability of such a change. In doing this, it is the author's view the District needs to ask itself these questions:

a. *Does the transfer of this service provide for an efficient and effective way to provide the service to the residents of the community?*

The consolidation of a community's services under single umbrella academically would point toward a more efficient mechanism for service delivery. However, in this case that does not appear to be the case based on the unique circumstances:

- (1) Both counties would need to agree to the transfer of service;
- (2) There would be no transfer of equipment to support the service change; the district would be anticipated to provide the service through a private contractor who would need to be on-call; and
- (3) there would be no direct transfer of revenues as the source is an annual reimbursement to each County from the State. This would then require a contractual arrangement for having the district prepare the costs for reimbursement which would be provided to each respective County for submission to the State; with subsequent payment from the State to the Counties who would then transfer the revenues to the District.

The transfer of service would introduce multiple layers to the process, when the contractual agreement between the two Counties entered in October 2020 would provide for a consolidated service to the community from a single entity with the equipment and funding resources necessary. It appears to the author that support from the District for this agreement and the offer by the District to be a vehicle to convey information to the community and work with the County of San Bernardino Transportation Department on issues of concerns from the community would be the best course of action.

b. *Are the revenues to be received from the Counties of Los Angeles and San Bernardino sufficient to provide the service into the future without drain on other District resources?*

The annual cost for providing the service would be provided from the District's property tax and other means of revenues with repayment from the respective Counties. As noted elsewhere in this report, the revenue stream is a reimbursement from the State for actual costs for each County. It appears that this would be sufficient since it is reimbursement for actual cost, but

this position is taken so long as administrative costs for the two counties to process the reimbursement request, receipt of funds, and payments to the CSD are not included. These would not be considered direct cost of providing the services and would therefore reduce the amount to be provided to the District.

In addition, as a reimbursement, the costs are paid in arrears and the District would need to be able to fund the cost provided first and await reimbursement. As shown on the table above, the reimbursement amount for 2018-19 received in 2019-20 was less than half the cost of that year's snow removal. Even if the District could provide the service for less, it would only receive what was spent. Based upon the tight finances of the District, this could be catastrophic in a heavy snow year having to wait until State revenues were received the following year.

This report does not address the contractor contract costs, liability issues, insurer's response to this service being provided by the District, or legal costs for addressing claims against the District and/or its contractor. Snow removal is not a revenue enhancing service. The County is self-insured for risk management and claim administration with other revenue streams available to cover costs. This is not the case for the District unless it is willing to impose a new per parcel tax to augment services. Since there are an estimated 3,144 parcels within the District a tax of an estimated \$100 to \$110 per parcel would appear to be sufficient along with the revenues from the Counties. The likelihood of success for this appears marginal given the recent increase in the fire protection special tax.

c. Are there alternatives to improve services without a change in service provider?

As noted in (a) above, the District being the vehicle to allow for the community and County Transportation Department to address issues and convey information would be a benefit for the community. In addition, should the District wish to explore amendment of the County policy related to the creation of berms during the plowing process, it can assist in the exploration of this option as well as the evaluation of the local cost of such a change.

In conclusion, it is not recommended that the District pursue the activation of snow removal service due to the potential drain on existing revenues of the District.

LIST OF ATTACHMENTS:

- 1. Map of District and its sphere of influence**
- 2. Government Code Section 56824.10 et seq – New or Different Functions for Special Districts**
- 3. San Bernardino County Board of Supervisors October 6, 2020 Agenda Item for Cooperative Agreement with Los Angeles County for Maintenance, Snow Removal, and Ice Control in the Wrightwood area**
- 4. Maps of Snow removal areas**
- 5. Financial Information on County Service Area 70 Zone R-40 Oak Springs**
- 6. Relevant Sections of Streets and Highways Code for Snow Removal Funding; copy of letter from State Controller's Office on Annual Funding**