



LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO

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DATE MAY 4, 1993
FROM JAMES M. RODDY, Executive Officer
TO LOCAL AGENCY FORMATION COMMISSION

SUBJECT **AGENDA ITEM #11: LAFCO #2753--Dissolution of the
Yucca Valley Recreation and Park District**

INITIATED BY:

Town Council of Yucca Valley, as governing body of the Yucca Valley Recreation and Park District

RECOMMENDATION:

1. Certify that LAFCO #2753 is statutorily exempt from the provisions of the California Environmental Quality Act, and direct the Clerk to file a Notice of Exemption within five days;
2. Approve LAFCO #2753 subject to the following terms and conditions:
 - a. The Town of Yucca Valley shall be designated as the successor agency to all rights, responsibilities, properties, equipment, contracts, assets and liabilities, obligations, and functions of the Yucca Valley Recreation and Park District;
 - b. All property tax revenues attributable to the District prior to calculations required by Section 98.6 of the Revenue and Taxation Code, including delinquent taxes and any and all other collections or assets of the district to be dissolved, shall accrue and be transferred to the successor agency.
 - c. All previously authorized charges, fees, assessments, and/or taxes of the Yucca Valley Recreation and Park District shall be continued by the Town of Yucca Valley for areas within its corporate boundaries;

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- d. The appropriations limits for each of the affected agencies shall be combined and become the appropriations limit for the successor agency.
 - e. Pursuant to the provisions of Government Code Section 56844(r), the Town of Yucca Valley shall continue to provide the current level of service provided by the Yucca Valley Recreation and Park District to those areas outside the corporate boundaries of the Town but within the current district boundaries; and,
3. **Designate** the Board of Supervisors as the conducting authority for further proceedings, and authorize it to complete these proceedings without election based on a unanimous vote of the Board of Directors to dissolve the district.
 4. **Adopt** LAFCO Resolution #2424 reflecting the Commission's findings and determinations.

BACKGROUND:

The Yucca Valley Recreation and Park District is a subsidiary district of the Town of Yucca Valley, and all of the district employees became employees of the Town shortly after incorporation of the area. The district currently operates a museum, a senior center, a community center, and it maintains eight parks throughout the community. For FY 92-93, the total budget for the district was \$1,134,147, and of that amount, a total of \$313,093 was derived from the Special Districts Augmentation Fund.

LAFCO #2753 is a proposal to dissolve the district, designate the Town of Yucca Valley as the successor agency, and thereby create a Department of Parks and Recreation within the Town's organizational structure. It is the Town's hope that approval of this proposal will allow retention of special districts augmentation funds within the community, and that the financial impact of probable legislative changes to property tax distribution laws can be softened.

To understand the purposes and goals of this proposal, some background discussion of the Special Districts Augmentation Fund is necessary. Soon after passage of Proposition 13, the state provided roughly \$6 billion to local government as a bail-out measure, and this revenue was intended to be provided to non-enterprise functions (e.g., street lighting,

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fire protection, parks and recreation) of local government. For many special districts, state bail-out funds represented more than half of their total revenues available during FY 78-79.

In FY 79-80, the state adopted a "permanent" bail-out measure which established the Special Districts Augmentation Fund. In simplified terms, the augmentation fund consists of a share of property tax revenue which used to be directed to schools, and it is annually derived by a statutory formula applied by the County Auditor-Controller.

Under this formula, which is contained within Section 98.6 of the Revenue and Taxation Code, the Auditor determines the proportion which state bail-out funds represented to the district during FY 78-79 (For example, assume that 50% of the revenue available to the Yucca Valley Recreation and Park District came from state bail-out funds during FY 78-79.).

Next, the Auditor determines the total amount of property tax revenue attributable to the district, generated within district boundaries (Following this example, assume that \$2,000,000 in property tax revenue--attributable to the district--was generated within the park district's boundaries .).

Finally, the Auditor multiplies the bail-out percentage factor by the total amount of property taxes generated by the park district and transfers the product to the augmentation fund (In this example, the Auditor would transfer \$1 million to the Park District, and \$1 million to the augmentation fund.). In this specific case, since the district is a subsidiary district, the Auditor would transfer the augmentation fund amount directly to the Town Council, and the Council must use that revenue for park district purposes.

Under current law, however, if a district is dissolved the successor agency would receive the "gross" amount of property tax revenue attributable to the district. The Auditor cannot apply an "augmentation factor" for a district which no longer exists; thus, the full amount of property tax revenue would be transferred to a successor agency without reference to the augmentation fund.

In greatly simplified terms, this is essentially how the augmentation fund has worked for the last twelve years. For the coming fiscal year, however, it is expected that the

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2. The Board of Directors of the district has unanimously adopted a resolution in support of dissolution of the Yucca Valley Recreation and Park District.
3. Notice of this hearing has been published in the Hi-Desert Star, a newspaper of general circulation in the area.
4. This proposal will not conflict with the adopted General Plans for the study area.
5. The Commission's consultant for environmental review has recommended that the Commission issue a Notice of Exemption for LAFCO #2753. This indicates that the project is exempt from the provisions of the California Environmental Quality Act.
6. The area in question is currently served by the following local agencies:

Mojave Desert Resource Conservation District
Hi-Desert Memorial Hospital District
Mojave Water Agency
Hi-Desert Water District
Yucca Valley Fire Protection District
Town of Yucca Valley
Yucca Valley Recreation and Park District
County Service Area 70 (countywide)

The only agencies affected by this proposal are the Town of Yucca Valley and the Yucca Valley Recreation and Park District.

7. This proposal and its anticipated effects does not conflict with adopted Commission policies.
8. All notices required by law have been provided. To date, no protests have been received.
9. Maps and legal descriptions meet state standards.

CONCLUSION:

LAFCO #2753 may provide important financial advantages for the community by eliminating the designation of augmentation funds for park purposes. Even if those financial advantages

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State Legislature will approve severe cuts to the augmentation fund, and there has even been some discussion that the fund might disappear altogether. In that event, all of the non-enterprise districts which rely on the augmentation funds will experience significant budget and program cuts unless the constituents of those districts approve special taxes or assessments to cover the shortfall.

In the case of Yucca Valley, then, the Town Council hopes that dissolution of the Park District might provide a means to capture the augmentation revenue currently generated within the community. By dissolving the district, the Auditor's augmentation factor would disappear, and there is a chance that the full amount of property tax revenue (or a greater amount than would otherwise transfer) would go to the Town.

At this point, no one can be certain whether the Town's strategy will be successful; it will simply depend on the language within the final budget adopted by the state. From the Town's perspective, however, there appears to be little to lose, and potentially much to gain through this approach. Staff has discussed this proposal with the County Auditor-Controller and the County Office of Special Districts, and while there is uncertainty as to the ultimate financial effects of this proposal, there appears to be a consensus that approval of LAFCO #2753 will not adversely affect other local agencies.

Even if the Town's strategy is not successful (again, depending on the outcome of the state budget process), approval of LAFCO #2753 will result in a modest streamlining of governmental processes, since there will be no further need for separate Town/District budgets, legal notices, and hearing agendas.

It should also be noted that the boundaries of the district exceed the boundaries of the Town by approximately six square miles of essentially vacant land. As a condition of approval of this proposal, the Town should be required to continue to provide park and recreation services to this area, and the Town has agreed to this condition.

FINDINGS:

1. The study area is legally inhabited, containing 9,461 registered voters.

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are not realized because of specific language within the final state budget, there are organizational and structural advantages which can be achieved through approval of this proposal. For these reasons, staff recommends approval of LAFCO #2753.

 MR/

Attachments:

1. Town Council Resolution
2. Environmental Review