



FINAL MINUTES

LAFCO REGULAR MEETING

Wednesday, October 14, 2009, 9:00 a.m.

Planning Commission Hearing Room, Hall of Administration
10 Civic Center Plaza
Santa Ana, CA

1. CALL TO ORDER

Chair Wilson called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:02 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner Arlene Schafer led the pledge of allegiance.

3. ROLL CALL

The following Commissioners and alternates were present:

- **Chair Susan Wilson**
- **Vice Chair Peter Herzog**
- **Commissioner Cheryl Brothers**
- **Commissioner John Moorlach**
- **Commissioner Arlene Schafer**
- **Commissioner John Withers**
- **Alternate Commissioner Patsy Marshall**
- **Alternate Commissioner Charley Wilson**

The following Commissioners were absent at roll call:

- **Commissioner Bill Campbell**
- **Alternate Commissioner Pat Bates** (Arrived at 9:06 am)
- **Alternate Commissioner Derek J. McGregor** (Arrived at 9:04 am)

The following LAFCO staff members were present:

- **Legal Counsel Clark Alsop**
- **Assistant Executive Officer Bob Aldrich**
- **Senior Project Manager Carolyn Emery**
- **Commission Clerk Esther Garcia-Negrete**
- **Policy Analyst Benjamin Legbandt**
- **Financial Consultant Joe Serrano**

4. APPROVAL OF MINUTES

September 9, 2009 – Regular Commission meeting Minutes

Chair Wilson called for any changes and approval of the September 9, 2009 regular commission meeting minutes. There were none.

MOTION: Approve September 9, 2009 regular commission meeting minutes without revision. (Arlene Schafer)
SECOND: Susan Wilson
FOR: Cheryl Brothers, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, and John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

5. PUBLIC COMMENT

Chair Wilson requested public comments on any non-agenda item. No public comments were made.

6. CONSENT CALENDAR

Chair Wilson called for approval of the consent calendar.

Commissioner Moorlach requested that the quarterly legislative report be pulled for discussion.

6a.) Quarterly Legislative Report

Commissioner Moorlach requested the Commission monitor SB 188 as a possible bill of interest.

MOTION: Receive and file the Quarterly Legislative Report. (John Moorlach)
SECOND: Arlene Schafer
FOR: Pat Bates, Cheryl Brothers, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, and John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

7. PUBLIC HEARING

None

8. COMMISSION DISCUSSION AND ACTION

8a. – Adoption of Retirement Rates for Fiscal Year 2010-2011

Senior Project Manager Carolyn Emery summarized the new employer/employee contribution rates approved by the Orange County Employees Retirement System (OCERS). She noted that LAFCO will continue to participate in the prepayment program whenever it is available. She highlighted that over the course of four years the agency has netted approximately \$30,000 in savings through its participation in the program. She recommended that the Commission adopt the new OCERS contribution rates for fiscal year 2010-2011.

MOTION: Adopt the OCERS retirement rates for Fiscal Year 2010-2011
(John Moorlach)
SECOND: John Withers
FOR: Pat Bates, Cheryl Brothers, Peter Herzog, John Moorlach,
Arlene Schafer, Susan Wilson, and John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

8b. – Quarterly Budget Update and Investment Report for Fiscal Year 2009-2010

Senior Project Manager Carolyn Emery provided a first-quarter budget update to the Commission. She summarized the agency's current revenue and expenditures and stated that all budget categories were within their targeted levels. Senior Project Manager Emery introduced the agency's new accountant, Agnes Boros of Moreland & Associates and stated that Financial Consultant Joe Serrano would follow with the update on the agency's investments.

Financial Consultant Joe Serrano provided the Commission with an update on the status of the Local Agency Investment Fund (LAIF). Mr. Serrano stated that due to the current state of the economy, LAIF's current return rate has been affected and the investment funds yielded will not meet the projected amount for fiscal year 2009-2010. He noted that another option would be for the agency to participate in alternative investment funds and diversify the agency's portfolio. Mr. Serrano stated that the next investment fund report will be presented at the February 2010 LAFCO hearing.

Commissioner Schafer inquired if the option to invest in California Investment Trust Fund Group (CAL Trust) has been explored. Financial consultant Joe Serrano stated that investing in this fund is another option that would require further analysis if desired by the Commission.

Chair Wilson noted that it is advisable for staff to explore other investment funds.

Commissioner Moorlach noted a correction to the Table One included in the staff report. **Commissioner Moorlach** stated that he is uncomfortable with LAIF's investment practices. He noted that approximately 45% of LAIF's portfolio is in loans to the State of California.

Assistant Executive Officer Bob Aldrich noted that if the Commission desires, the Executive Officer, Financial Consultant, and one commissioner could further explore investment options and report their findings at the January 2010 LAFCO hearing.

Commissioner Withers stated that the staff at Irvine Ranch Water District would gladly serve as an additional resource.

MOTION: Receive and file budget update and direct Executive Officer, Financial Consultant, and Commissioner Moorlach to explore additional investment options. (Arlene Schafer)
SECOND: Cheryl Brothers
FOR: Pat Bates, Cheryl Brothers, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, and John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

8c. – LAFCO Audit

Assistant Executive Officer Aldrich introduced Brian Gruber of Lance, Soll and Lunghard, LLP, LAFCO's auditor, to discuss the 2008-2009 audit findings.

Mr. Gruber provided an overview of the audit performed by his firm. He indicated that the audit reported no deficiencies in LAFCO's accounting procedures, internal financial controls or office procedures.

Commissioner Moorlach noted a typographical error and requested an updated copy of the report.

Chair Wilson commended staff for their efforts.

MOTION: Receive and file LAFCO's 2008-2009 financial audit. (John Moorlach)
SECOND: Arlene Schafer
FOR: Pat Bates, Cheryl Brothers, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, and John Withers
AGAINST: None
ABSTAIN: None

MOTION PASSED

8d. – Grand Jury Response

Financial Consultant Joe Serrano stated that the 2008-2009 Orange County Grand Jury invited LAFCO to review and comment on their report: “**Paper Water-Does Orange County Have a Reliable Future?**” Due to the deadline set by the Grand Jury, staff was unable to present the response letter to the Commission for full Commission review. However, the letter was reviewed by **Chair Wilson, Vice Chair Herzog**, and legal counsel.

MOTION: Receive and file 2008-2009 Grand Jury Response.
(Peter Herzog)
SECOND: Cheryl Brothers
FOR: Pat Bates, Cheryl Brothers, Peter Herzog, John Moorlach,
Arlene Schafer, Susan Wilson, and John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

8e. – Ratification of Contract with GST Consulting

Assistant Executive Officer Bob Aldrich summarized staff recommendations for ratification of a contract with GST Consulting for preparation of an enhanced Comprehensive Fiscal Model for a majority of the unincorporated islands in Orange County. The proposed model will provide baseline expenditures and revenues, a 10-year projection of expenditures and revenues, and an estimated “cost break” point to assist both the County and cities in determining appropriate infrastructure upgrades, if necessary. He requested that if the contract is approved, the Commission authorize Executive Officer Crosthwaite to issue a notice to proceed.

Chair Wilson called for questions and comments.

Commissioner Brothers expressed support for development of the Comprehensive Fiscal Model. She stated that the model will be a very useful tool in LAFCO’s annexation efforts of the remaining unincorporated islands.

MOTION: Ratify contract with GST Consulting for the development of a
County island fiscal model.
(Arlene Schafer)
SECOND: Cheryl Brothers
FOR: Cheryl Brothers, Peter Herzog, John Moorlach, Arlene
Schafer, Susan Wilson, and John Withers

AGAINST: None
ABSTAIN: Pat Bates
MOTION PASSED

9. COMMISSIONER COMMENTS

Commissioner Schafer announced that the Costa Mesa Sanitary District was named a District of Distinction at the California Special Districts Association (CSDA) conference held in September. In addition, **Commissioner Schafer** was honored as President of the Year.

Chair Wilson commended **Commissioner Schafer** for her work with the California Special Districts Association.

10. INFORMATIONAL ITEMS & ANNOUNCEMENTS

10a. – CALAFCO Annual Conference

Assistant Executive Officer Aldrich stated that the CALAFCO annual conference is scheduled for October 28-30 at Yosemite. He noted that staff had intended to charter a bus to transport commissioners and staff from Southern California LAFCOs, but there was limited interest. He indicated that if any Commissioner had any unresolved transportation issues to the conference to contact him directly.

Commissioner Withers inquired how many Commissioners were planning on attending. Assistant Executive Officer Bob Aldrich responded that four Commissioners were scheduled to attend.

Commissioner Marshall inquired where the conference will be held next year. Assistant Executive Officer Bob Aldrich responded that the 2010 annual CALAFCO conference will be in Palm Springs.

10b. – Change of Date and Location for November LAFCO Meeting

Assistant Executive Officer Bob Aldrich stated that the regular LAFCO meeting in November will be on the third Wednesday of the month (18th) due to the upcoming Veteran's Day holiday. Additionally, the Planning Commission Hearing room is occupied so the meeting will convene in the Board of Supervisor's Hearing room.

Commissioner Schafer stated that she will not attend the November meeting due to a conflict with CSDA strategic planning conference. **Commissioner Brothers** and **Commissioner Herzog** also have conflicting commitments and will not attend the November regular LAFCO meeting.

11. CLOSED SESSION

None

12. ADJOURNMENT

The meeting adjourned at 9:45 am.

Susan Wilson, Chair
Orange County Local Agency Formation Commission

By: _____

Esther Garcia-Negrete
Commission Clerk

A handwritten signature in cursive script, reading "Esther Garcia-Negrete", is written over a horizontal line. The signature is fluid and extends slightly above and below the line.