



FINAL MINUTES

LAFCO REGULAR MEETING

Wednesday, April 14, 2010, 9:00 a.m.

Planning Commission Hearing Room, Hall of Administration

10 Civic Center Plaza

Santa Ana, CA

1. CALL TO ORDER

Vice Chair **John Moorlach** called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:04 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner **Brothers** led the pledge of allegiance.

3. ROLL CALL

The following Commissioners and Alternates were present:

- **Vice Chair John Moorlach**
- **Commissioner Cheryl Brothers**
- **Commissioner Arlene Schafer**
- **Commissioner Susan Wilson**
- **Commissioner John Withers**
- **Alternate Commissioner Patsy Marshall**
- **Alternate Commissioner Derek J. McGregor**
- **Alternate Commissioner Charley Wilson**

The following Commissioners were absent at roll call:

- **Commissioner Bill Campbell**
- **Chair Peter Herzog**
- **Alternate Commissioner Pat Bates**

The following LAFCO staff members were present:

- **Legal Counsel Scott Smith**
- **Executive Officer Joyce Crosthwaite**
- **Assistant Executive Officer Carolyn Emery**
- **Analyst Benjamin Legbandt**
- **Analyst Joe Serrano**
- **Commission Clerk Esther Garcia-Negrete**

4. APPROVAL OF MINUTES

March 10, 2010 – Regular Commission Meeting Minutes

Vice Chair Moorlach called for any changes of the March 10, 2010 regular commission meeting minutes. There were none.

MOTION: Approve March 10, 2010 Regular Commission Meeting minutes without revision. (John Withers)
SECOND: Arlene Schafer
FOR: Cheryl Brothers, Patsy Marshall, John Moorlach, Arlene Schafer, Susan Wilson, and John Withers.
AGAINST: None
ABSTAIN: None
MOTION PASSED

5. PUBLIC COMMENT

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

6. CONSENT CALENDAR

None.

7. PUBLIC HEARING

7a. –Proposed LAFCO Budget for Fiscal Year 2010-2011

Policy Analyst Joe Serrano introduced Certified Public Accountant (CPA) Agnes Boros from the firm Macias, Gini & O'Connell who assisted in presenting the proposed budget for fiscal year 2010-2011.

Executive Officer Joyce Crosthwaite stated that Ms. Boros is an independently contracted CPA who assists the agency in preparing the yearly budget and accounting needs.

Ms. Agnes Boros highlighted some of the items of the proposed budget for fiscal year 2010-2011. She noted that the Commission has continued to keep expenditures low. The Commission reduced the apportionments due from the county, the cities, and special districts by utilizing funds from the agency's reserve fund.

Vice Chair Moorlach inquired about the amount budgeted for legal services. Executive Officer Joyce Crosthwaite explained that LAFCO has consistently budgeted \$65,000 but overall has met or stayed below the budgeted amount for legal services.

Vice Chair Moorlach asked legal counsel if they could provide insight for why the agency might be under budget. Legal Counsel Scott Smith responded that, among other efforts, staff prepares the first draft of agreements and resolutions, reducing overall legal costs.

Ms. Boros resumed her presentation noting that the projected investment revenue is less than previously expected. Ms. Boros stated that the objective for the fiscal year 2010-2011 was a balanced budget.

Vice Chair Moorlach asked if the Commission has previously adopted a multiyear budget. Executive Officer Crosthwaite noted that a few years ago the Commission adopted a three year budget in order to provide the funding agencies with more certainty in projected apportionment amounts.

Vice Chair Moorlach inquired about the available office space to sublease in the LAFCO offices. Executive Officer Crosthwaite explained that the offices are all occupied.

Commissioner Brothers asked whether the CALAFCO dues were included in the proposed budget. Executive Officer Crosthwaite responded that both the CALAFCO and the Coalition of California dues are included in the proposed budget.

Commissioner Brothers concurred with **Vice Chair Moorlach's** comments. She noted her concern regarding the duplication of payment for cities if the Commission approved the proposed contract with the Center for Demographic Research. **Commissioner Brothers** requested clarification of why the apportionment dues were increasing if the agency's overall expenditures are down.

Executive Officer Joyce Crosthwaite clarified that the agency's budget has remained relatively static over the last three or four years and that the Commission has used reserves to reduce the apportionment costs to agencies. She noted that to keep reserves at the levels set by the Commission, a small increase in apportionment amounts was proposed.

Commissioner McGregor requested clarification regarding the distribution of unfunded reserves among the five reserve categories. Executive Officer Crosthwaite explained the reserve categories and amounts.

Commissioner McGregor asked for an explanation of funding formula for special districts. Executive Officer Crosthwaite responded that the Independent Special Districts of Orange County developed the formula used to calculate the apportionment and that each category corresponds to a certain level of their operating revenue.

Policy Analyst Serrano added that the categories are based on the most recent State Controllers report. He explained that a district in the "A" category has revenue below one million dollars and a district in the "E" category has revenue of \$25 million or more.

Commissioner McGregor asked what is distributed to the funding agencies once the draft budget is approved. Policy Analyst Joe Serrano responded that staff sends a brief memo, the proposed budget and the tables showing each agency's apportionment.

Commissioner Marshall concurred with **Commissioner Brothers** comments and noted that many city employees have had to take unpaid furlough days and that it is very difficult time to increase their LAFCO apportionments.

Vice Chair Moorlach asked for an expanded explanation of why the Memberships/Subscriptions category was projected to increase, as well as the Special Department Expense category. Executive Officer Crosthwaite explained that the Memberships/Subscriptions category includes the contract with the Center for Demographic Research. She also noted that the Special Department category includes Commissioner stipends, travel expense reimbursements, and meeting reimbursements.

Vice Chair Moorlach noted that the reserves seemed to be high and stated his preference to draw down the reserves by \$132,768.00 in order to maintain the apportionments dues the same as the previous fiscal year.

Commissioner Charley Wilson expressed his support for **Vice Chair Moorlach's** recommendation, but noted that Orange County LAFCO is one of the few governmental agencies that have been able to reduce costs and respond to increased workloads.

Vice Chair Moorlach asked staff to prepare a multiyear budget.

Commissioner Susan Wilson noted that in the past LAFCO was frequently sued and was forced to build up reserves in anticipation of litigation.

Vice Chair Moorlach opened the public hearing.

Jim Fisler, Mesa Consolidated Director, stated that the category title of Special Department Expense should be explained more clearly.

Vice Chair Moorlach asked staff to find a better title.

Vice Chair Moorlach closed the public hearing.

MOTION: Adopt the proposed Fiscal Year 2010-2011 LAFCO Budget as amended. (Susan Wilson)
SECOND: Cheryl Brothers

FOR: Cheryl Brothers, Patsy Marshall, John Moorlach, Arlene Schafer, Susan Wilson, and John Withers.
AGAINST: None
ABSTAIN: None
MOTION PASSED

7b. –Proposed Latent Powers Activation for Three Arch Bay Community Services District (LP 09-07)

Executive Officer Joyce Crosthwaite stated that this item has been continued to the June 9, 2010 Commission meeting.

8. COMMISSION DISCUSSION AND ACTION

8a. – 2010 Unincorporated Islands Handbook

Assistant Executive Officer Carolyn Emery noted that the handbook is one of the components of the Island Stakeholder Plan. She continued that the handbook contains updated demographic data, population projections, newer maps, and pictures of each area. Assistant Executive Officer Emery stated that, once completed, the handbook will include all of the fiscal models prepared by Gary Thompson from GST Consulting with the assistance of consultant Bob Aldrich. Ms. Emery stated that the final prototypes included in the agenda packet are for Sunset Beach, the City of Santa Ana island, and the seven City of La Habra islands. Assistant Executive Officer Carolyn Emery stated that Mr. Gary Thompson was in the audience and was available to answer Commissioner questions.

Commissioner Susan Wilson commended staff and consultant Gary Thompson for the Islands Handbook. She noted that the Handbook contains useful information and asked why many of these areas remain as islands.

Assistant Executive Officer Carolyn Emery stated that although some of the islands would be a win-win to the annexing city and residents, others have significant infrastructures issues. She noted that in some of the La Habra islands septic systems were still being used and this represents one of the many issues present in many of the remaining islands.

Commissioner McGregor stated that he had the opportunity to meet with staff and consultant Gary Thompson and found the information very useful. He noted that the study provides a high level view and is a very valuable product.

Vice Chair Moorlach requested that staff incorporate a table of contents into the handbook as well as the definition of an island.

Commissioner Susan Wilson stated that **Vice Chair Moorlach**, as a Board of Supervisor has been very vocal about the inequities in the costs of these islands to the County.

Vice Chair Moorlach stated that he is working with Auditor-Controller David Sundstrom to find an equitable balance.

Executive Officer Joyce Crosthwaite noted that Alicia Campbell and Jay Wong have been very helpful in getting the data requested. She noted that completing the current fiscal models was stalled due to the high work load of the Orange County Assessor.

Commissioner Susan Wilson asked for an explanation of the estimated costs of the Orange County Sheriff department.

Mr. Gary Thompson stated that the Sheriff's Department only provided him with data for the Sunset Beach model and have not responded to subsequent data requests. Therefore he used the data for the Sunset Beach island and extrapolated per capita costs for the Santa Ana and La Habra islands. He added that, to increase the data's accuracy, he looked at the per capita costs for the 12 cities contracting with Orange County Sheriff's Department and modified the per capita average based on those numbers and on the marginal cost of extending police services.

Commissioner Susan Wilson stated that the Orange County Sheriffs union has campaigned against previous annexation attempts and noted that although she understands their desire to maintain staffing levels she doesn't understand why they will not respond to our data requests.

Executive Officer Joyce Crosthwaite stated that the LAFCO staff worked with Assemblyman Jim Silva to pass legislation requiring the disclosure of financial expenditures but there are no other options when dealing with the opposition of unions to LAFCO actions.

Vice Chair Moorlach asked Mr. Thompson who provided Sheriff's Department data for the fiscal models.

Mr. Thompson responded that LAFCO staff had requested the data and he worked with Trisha Bello regarding the Sunset Beach Island data.

Vice Chair Moorlach asked if staff or Mr. Thompson had spoken with Rick Dostal of the Orange County Sherriff's Department.

Mr. Thompson stated he had not spoken with Mr. Dostal.

Executive Officer Joyce Crosthwaite responded that staff had not spoken directly with Mr. Dostal, but believes that he had been involved in conversations with County staff. She stated that the Sherriff's Department had been forthcoming with their data during the South County Fiscal Study.

Vice Chair Moorlach offered to arrange a meeting with Mr. Dostal to facilitate data requests.

Mr. Thompson stated that he would be happy to meet with Mr. Dostal.

8b. – County Boundary Report Update

Assistant Executive Officer Carolyn Emery provided an update to the Commission on the potential county boundary adjustments involving the Orange and Los Angeles County boundary. She noted that the cities who have expressed interest in potential boundary adjustments are the cities of Los Alamitos, Seal Beach, and the City of Long Beach.

Commissioner Susan Wilson commended Ms. Emery for her efforts in moving the project forward.

8c. – Public Agency Bankruptcy Report

Executive Officer Crosthwaite stated that the Public Agency Bankruptcy Report was prepared according to the Commission's direction at the January 2010 meeting. She noted that the report was a background report regarding the role of LAFCO, if any, in public bankruptcy. She concluded that LAFCO's role is generally limited to preparing municipal service reviews. However, the Commission can also ensure that new agencies have a robust and strong revenue base.

Commissioner Charley Wilson asked if there is a watch list for public agencies on the brink of bankruptcy.

Commissioner John Withers noted that the bond rating agencies would be the best source of information and that debt ratings could be an indicator of financial problems.

Executive Officer Crosthwaite indicated that Policy Analyst Legbandt is currently addressing this issue in the next Best Practice Update. She added that one of the MSR determinations is the financial ability of an agency to provide services and Mr. Legbandt is trying to determine a benchmark or indicator which would be applicable to agencies under LAFCO's purview.

Vice Chair Moorlach requested Ms. Boros to return to the podium and asked if Macias, Gini & O'Connell, when preparing agency audits, was aware of any agency in Orange County with a going concern opinion. Ms. Boros responded that she is an independent CPA and was not involved in the audits.

Vice Chair Moorlach stated that some cities have received a going concern opinion in their audits but was not aware of any in Orange County.

8d. – Ethics Training Course Options

Commission Clerk Esther Garcia-Negrete provided the Commission with a list of options available to the Commission to comply with the mandate of Assembly Bill 1234. She highlighted the two instructor-led options provided by legal counsel, BBK and recommended

that those course options only be selected if there is sufficient interest from the Commission. Ms. Garcia-Negrete noted that some member agencies had expressed interest in attending an instructor led course. However, she noted that the Commission would be responsible for paying \$1,500 for the costs for six Commissioners and that outside agencies would be responsible for their portion of that cost.

Commissioner Susan Wilson requested additional information regarding the free online courses.

Commission Clerk Esther Garcia-Negrete responded that she has taken the online training available through the Orange County Clerk of the Board, noting its ease and convenience. She stated that the FPPC and the California Attorney General's office also offer online options as well.

Commissioner Withers stated he has taken the online training available through the California Attorney General's office.

Commissioner Schafer requested additional information on possibility of the instructor led course after the August 11th LAFCO meeting. Commission Clerk Esther Garcia-Negrete stated that training could be provided by Best, Best & Krieger following the Commission's strategic planning session meeting.

Vice Chair Moorlach stated that he preferred the training offered by Best, Best and Krieger. **Commissioners McGregor, Schafer, and Withers** concurred.

8e. – Ratification of Contract with Center for Demographic Research

Policy Analyst Benjamin Legbandt noted that the Commission directed staff to return with the final version contract with the Center for Demographic Research (CDR). He added LAFCO's contract with CDR is different than that of other agencies since the Commission would receive data that is specifically tailored to the island program and Handbook. He noted that this data is not currently available.

MOTION:	Ratify Contract with the Center for Demographic Research for demographic information (Withers).
SECOND:	Susan Wilson
FOR:	Cheryl Brothers, Patsy Marshall, John Moorlach, Arlene Schafer, Susan Wilson, and John Withers.
AGAINST:	None
ABSTAIN:	None
MOTION PASSED	

8f. – LAFCO Consultant Contracts

Commission Clerk Esther Garcia-Negrete provided the Commission with an updated list of consultant contracts for a variety of professional services provided to LAFCO. She noted that at the May 2008 Commission meeting, the Commission approved a two-year contract with Lance, Soll, & Lunghard, LLP to prepare the agency's annual audit. The contract contained a provision which allowed the Commission to extend the contract for one year. She recommended the Commission direct the Executive Officer to extend the contract with Lance, Soll, & Lunghard for one additional year

Commissioner McGregor requested additional information regarding the contracts with Can Do Consulting and Project Resource Specialist. Executive Officer Joyce Crosthwaite explained that the contract with Can Do Consulting was for the Anaheim island project but was not used due to scheduling conflicts. She added that LAFCO used Project Resource Specialists during the MWDOC study.

9. COMMISSIONER COMMENTS

Commissioner Patsy thanked Commission for the floral arrangement sent to her.

Commissioner McGregor requested information on the letter received from the East Orange County Water District (EOCWD). Executive Officer Joyce Crosthwaite stated that she would provide **Commissioner McGregor** with that information.

Commissioner Susan Wilson commended legal counsel Best, Best & Krieger for their representation of the agency. She also stated that she would like to attend the OC Water Summit and noted that last year's summit was worthwhile. **Commissioner Susan Wilson** asked **Commissioner Charley Wilson** for information regarding Proposition 16.

Commissioner Charley Wilson stated that Proposition 16 is an initiative sponsored by Pacific Gas & Electric and is solely funded by Pacific Gas & Electric. He stated that the initiative would change the California State Constitution requiring voter approval if a local municipality wanted to form a publicly owned utility.

Commissioner Withers provided the Commission with an update on the negotiations between MWDOC and the six south county water agencies. He concluded by noting that the current Independent Special District election is very interesting and added that he has visited almost all of the 27 independent special districts in Orange County.

Commissioner Brothers asked how Commissioners should register for the CCL summit at Lake Arrowhead. Executive Officer Crosthwaite indicated that staff will register Commissioners who were interested in participating. She noted that there would be Commissioners from all the Southern California LAFCOs in attendance.

Executive Officer Joyce Crosthwaite reminded the Commission that at the June 9, 2010 meeting the Commission would interview candidates for the Public Member position on the Commission.

10. INFORMATIONAL ITEMS & ANNOUNCEMENTS

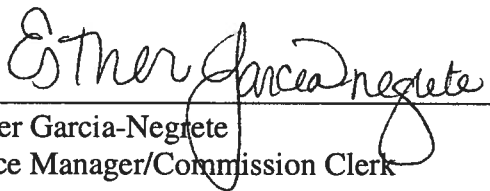
11. CLOSED SESSION

None.

12. ADJOURNMENT OF REGULAR COMMISSION MEETING

The meeting adjourned at 10:26 am.

John Moorlach, Vice Chair
Orange County Local Agency Formation Commission

By: 

Esther Garcia-Negrete
Office Manager/Commission Clerk